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FREEDOM OF THOUGHT IN CHINA

The "hundred Schools of Thought" was an awful headache to Tsin Shih Hwang Ti and his Ministers. In the end the only thing they could do about them was to sack the lot. They burned the books and buried the scholars, and have been execrated ever since though they headed a regime which, like the present, achieved a phenomenal amount of dynamic confidence and constructive vigour. It is a trifle embarrassing to view the spectacle of Shen Yen-ping, better known as Mao Tun, who is Minister of Culture, taking the lead in the liberalisation of literature and art after the part taken by the small dominant clique around the "throne" in the capital in the persecution of Hu Feng and other scholars; and actually leading a sharp attack on dullness and sameness in the People's Congress. The new idea is that "Socialist realism"—which, of course, excludes the aberrations of Party doctrinaires—is not to be driven into the stupid heads of the literatti with the "five daggers" which the rebel writer made famous, but "would have to be found by the writers, freely, in their own way. The Minister's report confirmed a statement by the CCP member Liu Ying-yi outlining for the first time the new policy. This policy is supposed to have been mentioned some time earlier in the year in a speech by Chairman Mao Tse-tung, which for some reason was never published.

The question what to do with the feudal intellectual heritage and how to fit China's "Periods" into Marxist historical materialism seems already giving rise to as many schools of thought as the hundreds of historians, philosophers and other scholars who are involved. The conference of teachers of history, held in Peking in mid-July, and attended by scholars from all parts of the country, led to a whole lot of questions the answers to which were neither positive nor comprehensive. The history of literature has been cribbed, cabined and confined ever since the Communists took over the Government, and it is quite a problem how to tear this wide open and produce a wider and more liberal approach. Chinese professors do not love controversy quite so much as they used to, and they shook their heads over this conference. Two schools of thought led the argument. The first supported the traditional Marxist viewpoint that an author must be studied and considered as the product of his time and class. The other major school contends on the contrary that literature is a thing to be considered by itself. Only when a judgment is required should class analysis be used. The controversy was possible because it raged in the Soviet Union for years and has not yet been settled. It has special importance in Chinese literature because philosophy is often deeply intermingled with pure literature.

Another factor is the new classical division of Chinese history of literature into eight Periods, each of them corresponding to a definite period of Chinese political conditions—feudalism, slavery, etc., to the "democratic freedom" of the Marxists. The muddle and confusion in which the conference soon found itself has already become the butt of the satirist, who is beginning once more to use his brush. "We had been advised to have one Hundred Schools of Discussion; but to-day it seems we will also have One Hundred Schools of teaching Chinese

literature," said one professor. Nevertheless, he added that though more time is required to evaluate the results of the conference, it does represent considerable progress from the rather restricted view which was the main line of the Party panjandrums a few years ago.

The President of the Academy of Sciences—hitherto the chief henchmen of the Communists as the Commander-in-Chief of the Peace Fighters—took on the high priest of culture, Minister Shen Yen-ping, himself. The Minister of Culture is better known under his pen-name, Mao Tun. He asked whether Marxism should remain accepted as the only universal truth. If so, discussion would have to be limited to various interpretations of Marxism in practice. If the answer was No, could liberalism and idealism (hitherto mortal sins) be discussed as theories instead of being automatically condemned as gross heresies.

Evidently the answer was favourable, for there were widespread discussions. Indeed a commentator in the People's Daily said the opinions put forward and the discussions held showed that development along these lines would help culture and science to "flourish as never before." Everyone has freedom to argue his point of view, he said, excluding only the deliberate propagation of counter-revolutionary standpoints. But there was nevertheless a veiled threat. People who engage in serious argument of different viewpoints should base their opinions on real research and not just argue in the air. He stressed that there is freedom to doubt and criticise dialectical materialism just as there is freedom to doubt and criticise any non-dialectical materialist outlook. There was no need to worry, he said, that idealism might somehow prevail. The proper way to overcome idealism was by convincing argument; it was not necessary to "protect" materialism by administrative power—meaning the secret police.

The upshot of the conference, attended by more than 160 experts and professors in history and literature from all parts of China, was a decision to make a "complete revision" of the teaching programmes prepared in advance in a limiting way by the Communist doctrinaires.

Some of the professors demanded the complete suppression of these hamstringing "teaching programmes" on the ground that they contradicted freedom of thought. Others wanted to maintain these programmes but without the compulsory provision. The latter viewpoint was adopted, with the proviso that teachers may express their own opinions and give "alternative" teachings on subjects where controversy remained. This suggestion is expected to be agreed to by the Ministry of Higher Education and to be applied in the coming autumn.

The deviations of M. Khrushchev, the back-to-Lenin directives from on high, and the recent onslaught by the famous Soviet novelist Sholokov on the literary hacks, must have caused confusion and consternation in Peking, especially among both the cultural principals and the subordinates they selected to express their views about Hu Feng and other sinners against the doctrinal light. They had, however, cleverly chosen their grounds for the attack on the "rebels."

Supporters of the ruling group of Chinese Party literateurs cited the numerous "secret" letters of the Hu Feng clique to show that they hated Marxism and cudgelled their brains to substitute anti-Marxist idea for Marxist ideas. They regarded the destruction of Marxist theories, declared Hu Sheng in Hsueh Hsi, as an important condition for bringing about the extinction of the CCP and the people's revolutionary state power. Too many comrades are "dogmatists who only recite phrases of Marxism" and judge others by the same practice. Such men are not only hopeless in the face of practical problems: they also prove themselves impotent in the face of hostile ideas. They are even unable to distinguish friend and enemy when they come face to face with "such double-dealers as the Hu Feng counter-revolutionary clique." They try to convince others that Marxism should be "supplemented" by anti-Marxist ideas and that materialism should be united with idealism. Their real aim is to damage Marxism. Marxism is not discountable and is not to be arbitrarily fitted with spare parts. Fragmentary phrases of Marxism are not Marxism. It was for the purpose of achieving the political aim of counter-revolution that Hu Feng preached anti-Marxist ideas; it was for the purpose of discrediting Marxism that they made "distorted use" of certain phrases of Marxism.

They hit upon a slogan: "combat mechanism." They branded the upholding of the basic theories of Marxism as mechanism, as vulgar social science, as vulgar materialism, and as dogmatism, and so disguised as real Marxists they combatted Marxism and preached idealism. His opposition to petty-bourgeois materialism was a signboard under which he preached decadent idealism. This is a favourite technique of many enemies of Marxism, says Hu Sheng. They say they are not against materialism and are only against mechanism; they are not against historical materialism and are only against the mechanistic economic determinism; they are not against Marxism but are only against vulgarization of Marxism. Hu Sheng admitted that Marxism is certainly opposed to mechanistic materialism and vulgarization. But on no account could idealists holding the banners of anti-mechanism and anti-vulgarization be allowed to bring confusion into the Party camp. The Hu Feng elements combatted mechanistic materialism only for the purpose of ridiculing the Marxist theories and discouraging the application of Marxism.

Some members of the Party were also criticised for adopting a liberalist attitude towards the basic theories of Marxism in practice. In their view the doctrine that material things determine spiritual things, and that social being determines social consciousness has become such a banality that "nothing new" can be expected from it. The Hu Feng elements frequently with great "enthusiasm" presented the worn-out bourgeois idealism as "new things" to supplement Marxism and offered these "new things" to those persons who adopt a liberalist attitude toward Marxism. Without being able to overcome such a liberalist attitude one will inevitably accept this "gift" and sink into a dangerous abyss both in theory and in practice. It follows from all this that the Party Centre must call upon the whole Party to give importance to ideological education concerning materialism and to enable the cadres and intellectuals to understand really what is Marxist materialism and what is the fundamental difference between materialism and idealism. The struggle against the Hu Feng clique also proves that if the Party does not pay attention to educating cadres and the masses in the basic theories of Marxism, opportunities will be created for counter-revolutionaries to carry on their activities.

Another angle to this question was developed by a contributor to the periodical China Youth, who used the lesson of the Hu Feng revelations to stress the necessity of using the utmost care in admitting Youth League members into the CCP, despite the anger of activists who may be rejected. Many counter-revolutionaries, it was alleged, infiltrated into the Party with the "tactic of penetrating into the body." They penetrated in three ways: by forging documents, through the introduction of socalled Party members, and by concealing their records and pretending to take an active part in the revolution, thereby winning the trust of the Party "by fraudulent means." These double-dealing tactics were laid down by the Hu Feng clique who held that the best thing to do was to devote themselves to their work

THE CHANGES IN THE SOVIET UNION

By Marshall D. Shulman

Of the vocabulary which recurs in the daily flow of commentary on the Soviet scene, perhaps no word has been used—or misused—more than the word "change." Newsmen and analysts frequently use the term "change" without clarifying, or perhaps being sure themselves, what they have in mind. This makes for confusion in their attempts to answer such questions as: Has there been a change in Soviet policy? Is the "new look" really new and, if so, when did it begin? Can the Soviet Union ever really change? Or is the answer that the more Soviet policy changes, the more it is the same?

In trying to arrive at meaningful answers to these questions, the first step is to differentiate between the various levels on which change can, and does take place.

There is, first of all, the level of atmospherics. In an age in which the practitioners of the art of manipulating public opinion have achieved great proficiency, it is increasingly difficult to distinguish between appearance and reality. This is particularly true of the USSR. The fact is—and the world sometimes loses sight of it—that the air may be charged or it may be relaxed, without much change in the underlying situation.

Is Mr. Molotov grim and forbidding, or is he donning cowboy hats at Cheyenne, visiting museums in New York and Chicago? Are the Soviet representatives chilly and isolated, or are they genially mixing, posing gladly for the photographers? Is the non-Communist world peopled by "fascist beasts" and "capitalist warmongerers", or by good fellows who are simply misguided?

It is hard to think of these changes of manner, and the changes of atmosphere they engender, as being manipulated independently of underlying purposes or attitudes. The unhappy truth is that the world public, in failing to comprehend this fact, often helps to delude itself. One week, the story of Quemoy and Matsu is bubbling furiously on the front page; the next week the furor has died out—without the actual situation having changed much one way or the other. Conversely, the Moscow leaders smile and "the whole world smiles with them"; without too much difficulty, the Soviets create an atmosphere of detente—of relaxing tensions—without having to address themselves to the cause of those tensions.

This is not to say that atmospheric changes are not important. They are. They may be very significant as one index of the Soviet outlook at any given time. But unless they are related to something more substantive than manner, they signify only that the Soviet rulers wish to create a different atmosphere, either more militant, hostile and tense, or less so.

Tactics and Strategy

There is another level, somewhat more substantial, at which change takes place, and which might be called "tactical". Flexibility in tactics, set forth by Lenin as a cardinal principle of effective action, has led to an alternation between periods of militancy and periods of broad cooperation. In the trade these are known as "Left" and "Right"; the accusatory forms for comrades who missed the turn are "Sectarian" and "Opportunist."

For example, is this a period in which the Soviet Union is joining, or walking out of such groups as the World Health Organization or UNESCO? Is it granting visas to Western citizens, or is it keeping the Iron Curtain tightshut? More important, are foreign Communist parties being militant, tough, purist about their revolutionary doctrine and scornful of cooperation with the leaders of "bourgeois" groups? Or are they endeavoring to form United Fronts, Popular Fronts, National Fronts, or other forms of broad, collaborative action in the parliaments and in the trade union movement? *

Moving one level deeper, there is a kind of change in Soviet policy which can be described as "strategic". It is never altogether clear where tactics leave off and strategy begins, but the distinction here is between the day-to-day operations in local situations and broad policy direction. In this sense, strategy chiefly reflects the Soviet estimate of the main characteristics of the current period of history. Is it a period of capitalist crises, when revolutionary possibilities seem in motion, and the time is ripe to press the advantage? Or is it a period of "temporary stabilization of capitalism?", a period when the world power situation is adverse to Communist expansion?

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and take part in all activities without grumbling and thus build the "mass foundation" in order to penetrate into the Party organ.

Clearly from the case of "Hsieh Li," who was repeatedly rejected as a candidate for membership of the Party and became disgruntled, and then laid accusations of discrimination, sectarian activities, and reprisals upon him, there have been many other cases of the same sort owing to the severe restrictions on admission to the Party with all the special status that goes with it. It is held to be wrong to show reluctance in standing for Party examination; to refuse to accept criticism from Party organizations and Party comrades. Some comrades take the view that the Party is a union of all sorts of self-styled "revolutionaries" and that they should be admitted to the Party if only because they wish to become "Party members." Too many, when rejected, complain about prejudice, hair-splitting and fault-finding and would not examine themselves with an open mind. None will openly reject Party examination and observation of their records and political thought, but some comrades who have been examined and observed "too long" become dissatisfied when their application for membership is shelved. Counter-revolutionaries everywhere are trying to utilize and buy over elements who are not satisfied with the Party. Thus the Party must be constantly on the alert.

Nor was it right for others to become passive and pessimistic when their applications are shelved. Some of them who were thus disappointed because questions of their history, families and social relations are not solved, hate their past, look to their future with pessimism, and become disinterested in their work. But "young people of the Mao Tse-tung era shall all have a brilliant future and have no cause for pessimism." Every Communist Party member is required regularly to examine his shortcomings and mistakes in work by means of criticism and self-criticism and should correct them in good time.

* A distinction must be made between United Fronts "from above" and those "from below"; the former are Communist attempts at cooperation with the leaders of non-Communist parties or trade unions, and hence signify a collaborative period; the latter are efforts to compete for rank-and-file support from the other groups and therefore may constitute a militant sectarian tactic.

In the former case, Soviet leaders stress the authority in Marxism-Leninism concerning the division of the world into two hostile camps; the "irreconcilability of the two systems," the "inevitability of conflict." In the latter case, authority is found for the doctrine of "peaceful coexistence of states having different social and political systems.

One point of confusion that arises here is that the non-militant strategy is sometimes spoken of as a strategy of "retreat." This is not necessarily the case. In a time of the "temporary stabilization of capitalism," and the relative strengthening of the "capitalist camp," the Soviet Union may direct its energies to strategically defensive objectives—as, for example, the weakening of the Western defense alliance. This may involve a postponement of the fulfilment of affirmative Soviet objectives, but it represents a continuation of the struggle by other means.

Permanent Change: A Utopian View

It should be noted at this point that the three modes of change that have been mentioned—atmospheric, tactical and strategic—have all varied on a cyclical pattern in the four decades of Soviet history. An atmosphere of detente has been followed by an atmosphere of tension; a tactic of cooperation by a tactic of militancy; a strategy of defense by a strategy of offense.

Is there, however, no possibility of a more fundamental kind of change? Those described so far are instrumental changes, representing different ways of approaching the same ultimate objectives. Must the possibility of a change in Soviet objectives be excluded?

One approach to this problem is a utopian one. It is based upon a belief in the possibility of a sudden transformation in the situation. The question is often asked: "Are the Soviet leaders really sincere about peace?" It is an irrelevant question, for even if it could be demonstrated that the Soviet leaders prefer to achieve their objectives without war, as doubtless they do, it would not follow that these objectives were compatible with the survival of democratic societies or conversely that war could be excluded as an instrument of Soviet policy if their objectives could not be otherwise achieved.

What the utopian image connotes is the possibility in the near future of a radical transformation in the Soviet system, involving a drastic modification in Soviet objectives, an abandonment of Marxism-Leninism, of Communist analysis and expectations, of the Soviet form of government. It envisages a situation in which the USSR would have relationships of trust and confidence with other states; in which the world level of armaments could be safely reduced; in which police state methods would no longer be used; in which neighboring states would be free to choose their own governments, and the anticipation of Soviet Communist world hegemony would be forever put aside. Much as one may pray for this ultimate outcome, one must be grateful to Khrushchev for reminding the world, as he did recently, that this will happen only "when the lobsters in the sea learn to whistle."

It is one thing to hold this kind of image in our mind as the expression of an ultimate hope, but to expect such change in the foreseeable future, or to expect the Soviet rulers to accept proposals which would, in fact, presuppose this kind of drastic transformation in their regime, is not warranted by any observation of the Soviet system. Such thinking is not only delusory, but dangerous, for it leads to an underestimation of the problem at hand.

Soviet Society in Transition

There is, however, a fifth sense in which the word "change" can be used. It seems reasonable to believe that, like all other human organizations, Soviet society does not remain static, but continues to evolve. Four decades may be a short time to historians, but it is a long enough period to warrant consideration of what secular changes—that is, changes of a long-term, non-cyclical character—may be taking place in Soviet society, whether planned, unintended, or perhaps even unconscious.

The observer is on hypothetical ground here, and must guard against letting his analysis be colored by his wishes. There are some indications of a conservative trend in Soviet society, which, one is tempted to hope, might impose a restraint on Soviet foreign policy. But even if it is acknowledged that internal changes would affect foreign policy, there is no way to judge whether such effect would be beneficial. Nevertheless, here is a dimension of possible change which requires continuous attention.

It is now almost 40 years since the October Revolution. The present leadership, with a few exceptions, has not been a product of the conspiratorial prerevolutionary experience. From a backward peasant society, the Soviet Union has been transformed into the second industrial power of the world. Its urban population has increased by 17,000,000 even within the past five years. Literacy has increased enormously. It would be hard to believe that profound social changes were not taking place in the light of these developments.

When one tries to define such changes, and to describe their effects, however, one ventures into an area of speculation and of disagreement. Inferences must be drawn from the second-hand study of Soviet society through the Soviet press and literature, impressions of occasional visitors to the USSR, and interviews with former Soviet citizens.

The impression that emerges most clearly is that of a maturing society. The class strata appear to be more clearly defined and stabilized. Some students of the subject refer to this as a process of stabilization; others describe it as a condition of increasing rigidity.

In interviews of a large number of former Soviet citizens, Harvard University's Project on the Soviet Social System made the striking finding that attitudes corresponded less with such factors as age, sex, politics, arrest experience, and even nationality, than they did with the factor of class identification. That is to say, if one knew whether an individual thought of himself as a peasant, an unskilled laborer, a skilled workman, or a member of the intelligentsia, one could fairly well chart out the pattern of his responses to a variety of questions about the regime, the society, the police, the government, family relations, living conditions, and so on.

It appears probable that there is less mobility between the classes than was the case twenty years ago, but whether the widespread of income distribution and the opportunity of privileged groups to pass on advantages to their children is resulting in a hardening class structure is a matter of speculation and interpretation. Such studies as we have of generational differences in the Soviet Union show a much higher degree of matter-of-fact acceptance of the regime and its propaganda among those age twenty than among those who are forty.

Whether these indications point to the development of a conservative society is a question which requires further studies of the Soviet social system.

The Rise of the Technical Intelligentsia

One of the fascinating questions in this connection is the effect which increasing industrialization and urbanization may be having on the Soviet society. The most extreme position on this point was taken by a British writer who argued that rapid industrialization had already produced sufficiently widespread literacy and material well-being in

the Soviet Union as to result in a modification of the totalitarian structure, and that a kind of social democracy was already in process of emergence.

Among American scholars there are some who believe it possible that such a modification of the harsher aspects of the police state might take place over very long periods of time. There are others, however, who take the position that modern totalitarianism is a unique historical phenomenon, and that there can be no smooth continuum of evolution out of the totalitarian spiral into something which is not totalitarian. Any appreciable reduction of the centralized power of the dictatorship, these scholars believe, could lead only to collapse and will therefore be avoided if possible.

On a more modest range of speculation, however, it seems reasonable to conjecture that the process of industrialization is developing a technical intelligentsia, with some of the aspirations, tastes and demands of industrial middle classes elsewhere. There has been some discussion whether this did or did not mean a new bourgeoisie in the Soviet Union, and a new Victorian Age to go with it. The irony, from a Marxist-Leninist point of view, of having a bourgeois revolution follow a proletarian revolution has not escaped some non-Soviet observers.

When it comes to the effect of these developments, if they do in fact exist, another area of uncertainty must be traversed. It is possible that Soviet citizens who are primarily production men, managers and technicians may have, within their general loyalty to the Soviet system, somewhat separable interests from those who have come up primarily through the party ranks. It seems likely, as interviews have suggested, that the production people press for a reduction of arbitrariness, of political interference in their operations, and that they can make a good case for increasing rationality in the Soviet system if high production goals are to be realized. It is also possible that, as consumers, these well-rewarded technicians—the so-called dacha (or villa) set—may strengthen the demand for consumer goods.

Alternative Possibilities

It does not necessarily follow, however, that a separate managerial class will emerge to challenge party leadership. The party has shown great care in absorbing into itself such separate interests as the army and the technicians. Successive party Congresses have shown a rising level of age and educational experience among party officials, and among the members of the present party Presidium are men whose experience has been primarily as production experts. To the extent that a pluralism of interests may develop from the process of industrialization, it seems quite possible that these separable interests will contend with each other within the party, and not outside or against the party. The effect of this process, if any, might be a modification of party policies rather than a weakening of the party position.

Even if all this were to come about the unanswerable question remains whether such modifications in the direction of a more rational order would soften, or merely internalize, the instrument of terror; whether it would result in a less ideological and less expansionist Soviet state, or a more efficient and ultimately more dangerous one. While one must hope that over a long period these changes will result in a society easier to live with, one cannot with assurance exclude the possibility that they may point instead toward 1984.

In any case, these are the kinds of changes that have to be measured in terms of decades, not of months. One comfort that an historical perspective offers is that other revolutionary movements have experienced a life cycle in which the revolutionary impulse gradually yields to domestication. It must be reckoned as a possibility, at least,

that over a long period of time the ideological content in Soviet motivation may diminish in force, may become increasingly ritualistic, though the vocabulary may remain the same. Whether the Soviet Union will follow historical precedents in this direction, and whether there will be time for any slow evolutionary development, are questions that only the future will answer. It will be difficult enough to recognize such changes when and if they come to pass.

Soviet Foreign Policy

Summing up what has been said, to get an effective picture of the Soviet problem it is necessary to create a composite image, as though one were looking through a series of slides held one behind the other. Each of these slides represents one aspect of reality: first, the conscious and cyclical shifts in Soviet policy—the atmospheric, tactical and strategic planes of movement; behind this, the slow secular trends in Soviet society, insofar as they can be perceived; finally, the major moving forces of the twentieth century, as they manifest themselves in the Soviet Union and in other parts of the world.

Keeping this image in mind, let us now concentrate for the moment on the slide in the foreground—that is, the characteristics of recent Soviet policy showing conscious changes in the direction of Soviet efforts abroad.

A retrospective study of Soviet foreign policy. since the end of World War II suggests that the main watershed for present developments is to be found in the 1949-50 period. Most of the developments since that time represent not new departures but successive experimentation and refinements in doctrine and methods.

In brief, the period from 1947 to 1949 had been one in which Soviet policy reflected an open hostility, aimed at maximizing the advantages of the molten power situation in the postwar world. The satellization of Eastern Europe, the incitement of violent strikes in Western Europe, the organization of the Cominform around the "two hostile camps" doctrine, the seizure of Czechoslovakia, the Berlin blockade, the violent language of hatred, irreconcilable conflict and revolutionary advance—these characterized Soviet policy in the two-year period which marked the most intense and overt phase of the so-called "cold war."

By the period 1949-50, it had become apparent that this policy was producing adverse effects from the Soviet point of view. The Berlin blockade had ended in failure and had clearly demonstrated the willingness of the Western powers to resist Communist expansion at the cost of war if necessary. Western Europe had begun its economic recovery, and as a consequence had regained a degree of political stability. Soviet hostility had driven the Western powers into an unprecedented degree of cohesion.

Instead of withdrawing from Europe, as might have been anticipated, the United States was now firmly committed to remain, and was in the process of organizing close political, economic and military bonds with the advanced industrial nations of Western Europe. The Brussels Pact, the Western Union, the Marshall Plan, the Greek-Turkish Aid Program, the Mutual Defense Assistance Program, and finally the North Atlantic Treaty Organization, which was beginning efforts to incorporate Western German military power into its orbit, constituted a trend which would in time alter the power relationships in Europe to the disadvantage of the Soviet Union. To match the Soviet stress on development of military potential, the military budgets of the United States and the Western Europe powers were being raised to unprecedented peacetime levels. All of these developments were clear reactions to the overt hostility of Soviet policy in the preceding period.

In taking stock of their situation, the Soviet leaders were able to include two favorable developments in 1949; the triumph of the Chinese Communists, and the explosion of a Soviet atomic weapon. Each of these events had profound consequences. The rise of Mao created new possibilities and new problems in the East. The development of Soviet atomic capabilities began to alter the mood, and consequently the political configuration of the European picture, as neutralism became a significant factor.

The attack on Korea in June 1950, while it appeared to many at the time as another manifestation of militant Soviet policy, may in fact have been more significant as a step toward exploiting the dynamism of the Asian movement as against the relatively static European situation. Since it had the effect of intensifying Western reaction to Soviet militancy to an extraordinary degree, it may have hastened a re-evaluation by the Soviet Union of the effect of its previous policies, and made more urgent the introduction of alternative policies.

Emergence of the New Policy

What followed was a period of Kremlin experimentation with policies designed to check the adverse trend, at the same time making use of favorable developments. There were some regressions to the old militancy in this period, but whether they were attributable, as a few observers have held, to factional disputes within the Soviet leadership must remain a matter of speculation. In any event by the fall of 1952, the new policy had been developed, and in October was formulated at the 19th Congress of the CPSU. With some modifications, but with considerably more flexibility and deftness in application, essentially the same policy has continued in force since the death of Stalin.

The post-Stalin leadership has been more consistent, more thorough, more sensitive to the actual conditions of the outside world, and consequently more successful in creating an atmosphere of detente. It would be difficult, for example, to visualize Stalin making the trip to Belgrade to attempt to undo the Tito episode, and it is clear that Stalin's arbitrary and autocratic rule of the party leadership was among the "obsolete ideas" which Khrushchev, at the 20th Congress, said the party had resolutely swept aside, "as a brake on our forward movement." These changes of manner are of great importance, but the main lines of analysis and of policy formulated in the latter days of Stalin remain in force. The modifications of doctrine presented at the 20th Congress—such as the non-inevitability of war, the sanctioning of different paths to socialism, and the acceptance of the possibility of Soviet socialism coming to power by parliamentary means—are significant, but mainly as the elimination of hindrances to the fuller realization of the policy of coexistence and United Fronts.

The New Policy in Operation

At the strategic level, Soviet policy in this period has been defensive in character. That is to say, its primary objective appears to be the negative one of checking and weakening the Western defense system. To do this, it is seeking to reduce United States power and influence in Europe, Africa and Asia, to eliminate air bases abroad, and to encourage centrifugal tendencies in the Western alliance. Minimally, it is seeking to deny the industrial resources and military capabilities of Western Germany and Japan to the Western alliance, and optimally, it may hope for the accession of the resources of these areas to the Soviet complex. The appeal of communism to neutral nations and neutralists individually is likely to be enormously enhanced by the recent suppression of the symbol of Stalinism.

This strategy has been supported by non-militant tactics. The Communist movement has, in the words of Stalin at

the 19th Party Congress, raised the banner of national independence, which the bourgeoisie had dropped. That is to say, it has used nationalism as an anti-coagulant in the non-Communist world, as for example, in helping to defeat the proposed European Defense Community, and in exacerbating colonial conflicts. It has collaborated with elements of the bourgeoisie on broad front programs—united, popular or national fronts—in order to bring about changes in the national policies of individual Western countries. It has made effective use of neutralism and the peace movement, to circumscribe the freedom of action in the field of Soviet foreign policy, they operate in the same direction as the external power considerations which have been mentioned. But as far as the known evidence goes, there is no indication that the problems of the Soviet system are of such magnitude as to justify the expectation of a collapse of the regime, or a mood of desperation or surrender on the part of the leadership.

What emerges from this brief review of the familiar elements of Soviet policy is a consistent pattern of adaptation of strategy, tactics and atmospherics to the favorable and unfavorable factors currently prevailing. Though in a sense a defensive response to the strengthened Western power position of 1949-50, they represent an effort to advance toward Soviet objectives by alternative and more promising means. They indicate how the Soviet leaders may rely on the factor of time in order to attain a dominant power position in the world even without war. Finally, it should be recognized that this entire pattern, and every part of it, is still completely capable of being reversed at any time.

The Prospects Ahead

What, then, is the outlook for the future?

It is possible, as some maintain, that the attacks on Stalin and Stalinism at and following the 20th Party Congress indicate a profound change evolving in the character of the Soviet regime, and that these attacks have set in motion a doctrinal unfreezing at all levels—artistic, scientific, intellectual, managerial and even political.

It is also possible, as is argued by others, that the circumstances of the attacks on Stalin suggest the existence of dissension among the rulers of the USSR.

These things are possible. But until future events cast further light on the present situation, it would be imprudent for the rest of the world to act upon such tenuous hypotheses, and to cast into discard four decades of Soviet behavior as irrelevant. Stalin's successors may trample his grave and his image, but who can say with assurance that Stalinism is beyond resurrection, or that his heirs are in fact less menacing than he? The penalty for rejoicing prematurely could be severe.

The only prudent approach is to assume, until events demonstrate the contrary, that in scrapping Stalinism, the present leadership is seeking to remove a hindrance to the more effective prosecution of its persistent goals.

If the present terms of conflict, somewhat muted and altered as they are, can be prolonged for an indefinite period, it is at least a possibility that over a period of time there may result an abandonment in fact of the Soviet commitment to an ideology of conflict and of world communism. As a goal, this does not give much comfort to those who desire their solutions neat, but in the nature of things, we are dealing with possibilities, not certainties. Until the day comes when experience demonstrates that Communist aims and Communist power are no longer irreconcilable with the continued existence of the non-Communist world, we must contend with them resolutely, and, if necessary, indefinitely.

In endeavoring to prolong the policy which the Soviets call "peaceful coexistence," we should be under no illusions as to what the terms means to the Moscow leaders. It does not mean peace as we understand the word. It means a continuation of the struggle on political and economic grounds. It could mean an alternative route for the Soviet Union to a dominant world power position.

Dangerous and unstable though "peaceful coexistence" may be, we have no choice but to accept the gauntlet. It is preferable to its alternative, which is war. It may be that over a period of time, some of the causes of tension—as distinguished from the atmosphere of tension—will yield to negotiation, and that settlements can be worked out which transpose the power relationships into a lower key. But experience has taught that such fundamental settlements, however great the pressures for them, are reached only when Soviet interests require them. Undoubtedly the most decisive instrument for bringing such agreements to pass would be the existence of thriving economic and political relations between the non-Communist nations of the world. The real question is thus whether the free world will understand and accept the requirements of this period in history, and make of it an advantage rather than a disaster.

JAPANESE ECONOMIC REPORTS

Pakistan Trade Accord

Effective April 1 Japan and Pakistan have concluded a one year trade agreement. The single licensing system that characterized the previous agreement, expired on January 31, 1956, has been abolished, as has the £28 million trade ceiling. Greater latitude has been allowed. In the event Japan imports more than 300,000 bales of Pakistan raw cotton while the pact is in force, the Pakistani Government will grant import of Japanese goods within the limit of £2,700,000 for excess above the said 300,000 bales. In case such imports are permitted, Pakistan will give priority to drugs, chemicals, machinery, and textiles, the export of which from Japan to Pakistan has not amounted to much so far. The two nations will conduct trade talks every half year from now on. Japan has been exporting steel products, non-ferrous metals, capital goods, chemicals, and some textiles to Pakistan. From Pakistan Japan has been importing raw cotton, jute, skins and hides, salt, and others.

Steel Exports

Japan contracted for export of 2,127,000 tons of steel products, valued at $315 million, during fiscal year 1955, a noticeable increase over fiscal year 1954's 2,050,000 tons, valued at $250 million. Of the total, 455,000 tons were semi-finished products, as against 1954's 295,000 tons, and 316,000 tons were galvanized sheets as against 1954's 292,000 tons. Exports to Argentina and Southeast Asia noticeably increased. An itemwise breakdown of others follows (figures in brackets are for fiscal year 1954): Rails 134,000 tons (179,000), shapes 68,000 tons (27,000), bars 308,000 tons (326,000), wire rods 30,000 tons (25,000), plates 185,000 tons (285,000), sheets 66,000 tons (64,000), hoops 53,000 tons (29,000), cold rolled plates 64,000 tons (16,000), tinplates 45,000 tons (20,000), galvanized sheets 316,000 tons (292,000), ferro-alloys 50,000 tons (45,000), cast iron tubes 23,000 tons (17,000), G.I. wire 59,000 tons (54,000), barbed wire 33,000 tons (43,000), and steel tubes and pipes 87,000 tons (88,000).

1955 Exports Postwar High

Japan's exports for fiscal year 1955 (ending March 31, 1956) hit a postwar high of $2,137,442,000 or $418,803,000 better than 1954. Imports reached $2,586,103,000 nearly equaling the postwar high of $2,586,135,000 in fiscal year 1953. The 1955 imports showed an increase of $332,656,000 over those in 1954. The excess of imports over exports was $448,661,000 or $86,147,000 more than in 1954. Exports in March, the last month of fiscal 1955, amounted to $220 million, the largest monthly figure during 1955, outside of December. March imports of $252 million indicated that imports once again are on the upsurge after showing a gradual decrease since the spring of 1954.

Steel products valued at $259 million (1,846,000 tons) topped fiscal 1955 exports, whereas export steel products ranked second in 1954. Close behind steel products were 1,250 million square yards of cotton textiles, worth $255 million. Steels and cottons increased by 3 and 8 percent, respectively. Clothing and vessels exported were valued at $115 million and $105 million, respectively, showing an increase of 85 and 60 percent over 1954. During 1955 the number of export vessels reached 471. Marine products exported were valued at $89 million (107,000 tons), staple fiber exports at $88 million (546 million square yards), and rayon textile exports at $68 million (377 million square yards).

Raw cotton topped imports with 1,115 million lbs. valued at $377 million. Petroleum imported ranked next with $246 million (12,873,000 kiloliters), followed in the order named by rice with $201 million (1,290,000 tons), wheat with $161 million (2,210,000 tons), and sugar with $124 million (1,140,000 tons). These all registered an increase over 1954. Raw wool imports slightly increased to 222 million lbs., worth $170 million. Imports of textile raw materials decreased by 4 percent. Japan imported 6,360,000 tons of iron ore valued at $98 million, and 1,510,000 tons of scrap iron valued at $81 million, more than double the amount of imports during 1954, and in addition soybeans valued at $88 million and raw rubber valued at $69 million.

S.E. Asia Tour

A seven-man economic cooperation team left Tokyo for Southeast Asia March 21. Headed by Vice-President Kogoro Uemura of the Federation of Economic Organizations (Keidanren), the team toured South Vietnam, Cambodia, Thailand, Burma, and Pakistan. The mission exchanged views with leaders of those countries visited concerning economic teamwork between Japan and those countries. Included in the mission are President Yoshinari Kawai of the Komatsu Manufactory, President Toshio Doko of the Ishikawajima Heavy Industries, and Nobufumi Ito, former Japanese Minister to Switzerland.

Chemical Tie-up

The Sumitomo Chemical in Osaka has concluded a technical tie-up with Stone & Webster of the United States for the production of polyethylene resin. By this arrangement Sumitomo expects to get technical aid from Stone & Webster regarding designing and operating facilities for producing ethylene and hydrogen from petroleum. For polymerizing ethylene into polyethylene resin, Sumitomo has already entered into a technical tie-up with the Imperial Chemical Industries of Britain. The concern intends to build a plant on the premises of the Niihama smelter in Ehime Prefecture designed to resolve 2,800 tons of petroleum a month, and to make 5,500 tons of polyethylene a year and 50 tons of ammonium a day. The new plant, a Y2,000 million project, is expected to be completed in November, 1957.

Exports to U.S.

Japanese exports to the United States in 1955 were valued at US$416,025,000, the highest postwar annual total. Considering the fact that 1954 exports were only $276,108,000, the tremendous jump is regarded as indicating that Japan's industrial modernization and expanding capacity for export of manufactures have made much headway. Japan's imports from the United States declined from $678,501,000 in 1954 to $641,969,000 in 1955. The increase of exports to and decrease of imports from the United States have helped to reduce Japan's deficit greatly. Exports of textiles of nearly every description, wood products, especially plywood, and steel products increased noticeably. Among American imports to Japan that increased in 1955 were tobacco, petroleum products, steel goods, and electric machinery.

Camera Show

Impressive showrooms opened in New York's Fifth Avenue by the Canon Camera Co. of Tokyo have been attracting much attention on the part of photographers. Canon's high class 35 mm cameras, which have been a sensation for the last several years, are displayed, highlighted by two Japanese gardens in a contemporary American setting. Much thought and care has been exercised to give the atmosphere of harmoniously blended East and West. To that end shoji screens, gold paper, and Japanese ash wood were brought from Japan. Cameras and accessories are displayed in small, glass-enclosed cases, each product having a distinct setting. Uncluttered rooms are intended to create a relaxing, unhurried effect. Visitors are served tea in a special section. Several abstract paintings based on traditional scrolls by Gen-ichiro Inokuma are hung as a background for merchandise on display.

Kailan Coal

Approximately 400,000 tons of Kailan coking coal will be imported from Communist China in exchange for 10,000 tons of galvanized sheets to be exported to that country with the approval of COCOM (Coordinating Committee for Export Control). Tne 10,000 ton lot included some plates 0.7 to 0.5 mm thick, in contrast to the first 5,000 ton lot, which contained all thin ones. For this reason, COCOM after deliberation gave special consideration for those 10,000 tons. The Government and the steel industry hope that COCOM will exercise further consideration for a wider range of sheets so that Japan might be able to import 600,000 to 700,000 tons of coking coal as well as Hainan island ore during 1956.

Kansai Power

The Kansai Power Co. has succeeded in getting $11 million credit from the Export and Import Bank in the United States for the purpose of building a thermal powerhouse along Osaka Bay. By the terms of the credit Westinghouse Electric International will supply the majority of machines and equipment for the proposed Osaka thermal powerhouse, as well as technical services. This plant is designed to alleviate power shortage during the low water season from December to March, since the bulk of Japan's power comes from "white coal." The Kansai Power has 17 years to pay back the credit, starting March 15, 1959, the interest rate being 5 percent per annum.

Cotton for Indonesia

Japan will be processing raw cotton valued at $13 million for Indonesia. The raw cotton Japan will process comprises more than half of the entire lot of surplus American raw cotton valued at about $25 million. The rest will be taken up by West Germany, Britain, and the Netherlands.

Daiichi Bussan in Australia

Japan's largest trading house, Daiichi Bussan K. K., established its Australian affiliate, to be known as Daiichi Bussan Proprietary (Australia), Ltd., capitalized at £100,000 early in April. In accordance with the law, Australians will invest 51 percent and Japanese 49 percent. Manager Kan Komura of the Daiichi Bussan's Melbourne office will become the first Managing Director of the new firm. Sydney Manager Shusuke Sato and an Australian are directors. Australia exported to Japan £59 million during the fiscal year 1955, against £18 million Japanese imports to Australia. The creation of the Daiichi Bussan affiliate is expected to go a long way toward correcting the one-sidedness of this trade.

India's Steel Plants

The Government of India has decided to award a contract to Japanese concerns to set up a coal washery near Bokaro in Bihar province. It is one of the three to be set up in accordance with the second of India's five-year plans. This second five-year plan is to require 11,410,000 tons of washed coal, 9,730,000 tons of which are to be coking coal. The coal to be washed at Bokaro will be fed to the Rourkela steel plant in Orissa province and to the Bhilai steel plant in Madhya Pradesh.

350,000 KW Sakuma Dam

Japan's largest power project, the 350,000 KW, Y38,200 million Sakuma dam and powerhouse, began feeding power to the Tokyo and Chubu areas April 20. The builder, the Power Development Corporation, has made an arrangement with the principal consumers, Tokyo Power Co. and Chubu Power Co.

Building Experts

In order to study the latest American methods, 13 Japanese experts in building construction took off for a six weeks tour of the United States, where they will gather first-hand information on building projects. Their trip is sponsored by the Japan Productivity Center in cooperation with the United States Operations Mission to Japan. They will study the latest American construction methods, management, and labor administration. They will give priority to housing construction techniques. This is the 15th group dispatched abroad by the Productivity Center and represents the latest effort in carrying out the Japan-U.S. agreement, which is designed to increase Japanese productivity through the study of American experiences.

Trans-Pacific Travel

Air travel between Japan and the United States will be at least doubled in the next 10 years, in the opinion of Donald W. Douglas Jr., vice president of the Douglas Aircraft Co. He foresaw an even greater increase in air traffic across the Pacific, as long as air travel continues to gain in proportion to surface travel. "We think this is certain to come," said Douglas, "because the time disparity between air and surface travel across the Pacific is greater than across the Atlantic. The air traveler across the Atlantic saves three days, but across the Pacific he saves as much as two weeks. As faster and more comfortable airplanes go into service, the proportion of travel by air seems certain to increase over this route." He pointed out that the DC-8, the Douglas jet transport, will fly from Los Angeles to Tokyo in less than 15 hours, compared to 14 days or more by steamship. Even before the jets go into service, the new piston-powered DC-7C will reduce air travel time to Tokyo from 30 to 23 hours.

7½ Million Spindles

Japan's spinning industry had 7,418,164 spindles in operation at the end of February, showing an increase of 400,000 over January. The industry produced 190,528 bales of cotton yarn during February against 180,215 for January, and 263,699,000 square yards of cotton textiles against 243,690,000 square yards for January.

JAPAN'S ELECTRICAL APPLIANCES

Electricity has been known to civilized people for some little time, but scarcely a century has elapsed since man first learned to harness it for human communities on a modern basis. Innumerable electric machines and contrivances have been devised. Incredible techniques have been perfected. Life today has been enriched far beyond the wildest dreams of our forebears of earlier centuries. Yet scientific advance has far from reached its zenith. What it holds in store for tomorrow is difficult to foretell. Very likely what is best today may be scrapped as outmoded before many days have gone by. The part electricity has contributed to human society to date is nothing short of marvelous. There is a good reason why the extent to which electricity goes into household utensils is considered a criterion by which we may gauge the cultural attainments of a nation. It is small wonder that enlightened nations leave no stone unturned in their efforts to devise electrical machines and equipment, or to improve those which they already have.

The production of electric machines and appliances in Japan has shown a phenomenal advance in the last several years. Much of what is produced is exported to many parts of the world.

Motor Fans

Motor fans for home use are generally powered by midget motors ranging from 25 to 80 watts. Propellers are either three or four-bladed. Of late four-bladed ones are much in vogue again. They come in 8 inch, 10 inch, 12 inch, 14 inch, and 15 inch sizes. Twelve inch fans outnumber all other home fans, whose blowing capacity ranges from 500 to 2,400 cubic feet a minute.

Unless well designed and built, fans frequently vibrate unduly or make a disagreeable noise. Such fans cease to be a comfort, but rather are a nuisance pure and simple. Fans from a responsible house today are practically noiseless and joltless. Newer and more pleasing types have been designed year after year.

Ceiling fans are generally three-bladed, of 36 to 56 inch diameter. They are equipped with speed-regulators which can be worked like an electric pull switch. Fans on stands are generally of the 16 inch size.

There are large ventilator fans for industrial use, such as those installed in a public building, rolling stock, or a vessel. Ventilator fans are generally built by large electric machine manufacturers. Volume has been increasing and quality has been improving year in and year out. Many of them are exported to the Middle East and Southeast Asia.

Electric Refrigerators

Manufacturing electric refrigerators in Japan is of comparatively late origin, since they were, and to a certain extent still are, not within the reach of a modest purse. Of late more and more people have learned to appreciate their value. Manufacturing and exporting them has been growing in recent years.

Like their counterparts abroad, they are equipped with motor compressors, designed to give freezing and low temperatures which can be regulated by a switch. Encased in white-enameled all-steel plates, they are finding increasing use in many quarters—private homes, hotels, restaurants and cafes, hospitals, and health centers. Those for private homes have a freezing space ranging from three to seven cubic feet.

Their motors are of from 100 to 250 watts, giving low temperature ranging from 0°C. to 10°C. in the chamber, and can make 0.4 to 2kg of ice a day. The chamber is provided with shelves, ice dishes, dew receptacles, and anti-freeze lattices. Some are lighted within. Most doors have knobs on the right hand side.

More people have come to value electric refrigerators highly because of their ability to maintain uniformly low temperatures, which are more effective in preventing noxious bacteria from breeding, their comparative freedom from moisture, and the ease of regulating temperature. Like fans, they are built by large concerns. They bid fair to export quite a few of them.

Electric Washers

Electric washers, which are as common as silverware in American households, have been spreading like a prairie fire in Japan in the last year or two. Not too expensive, they are within the reach of people of modest means. Housewives have learned to appreciate their value as time-savers and as streamliners of domestic chores. They are run by motors, 80 to 130 watts. There are four types—inversing, revolving, agitating, and oscillating. In Japan most of them are of the agitating type. Wringers are attached to most washers in Japan. Some of the expensive ones are provided with centrifugal driers. One washing can take care of two kg. of clothes. The stuff to be laundered is soaked in water for five minutes, after which the washing takes from 10 to 20 minutes, and rinsing from five to 10 minutes. The bumper rice crops of 1955 have gone a long way toward spreading washers among farming communities. They are built by large concerns, pretty much on an automation system.

Electric Mixers

Electric mixers have been proving a knockout, even among conservative households. The way they liquefy or turn into paste fresh vegetables or fruit in a few seconds has almost unbelievably captivated not only housewives but even the sterner sex. The fact that the mixers make it possible for persons to derive 100 percent of Vitamins has been noticed by hygienists and dieticians. They are run by motors, 100 to 200 watts, with 14,000 to 17,000 r.p.m. The latest type enables one to switch from high to low speed or vice versa at will.

Electric Toasters

Electric toasters, until comparatively recently considered something of a luxury in Japan, have been spreading with amazing rapidity, as an increasing number of Japanese have learned to like bread. They consume electricity from 400 to 600 watts. They are priced low enough so that practically anyone can afford them.

Electric Irons

Irons that "get hot faster and stay hot longer" are decidedly preferred by present day users of electric irons. They generally come in two sizes, a 4 lb size for home use, and a 6 lb size for tailors, dressmakers, and other professionals. Whether for home or shop use, irons these days are light-weight. Current consumed ranges from 250 to 500 watts. Some are made to regulate heat automatically. Some are provided with a steaming device. All modern irons are chromium-plated and have plastics handles. The center of gravity is placed in such a way as the hours of

service will not be a terrific strain on the user. Electric irons have been introduced to Japanese households for some time. There is hardly a home that has not at least an iron or two. Quite a few of them are exported to Southeast Asia where they are much appreciated.

Household Gadgets

The way electricity has "invaded" the individual home is amazing. Homes in civilized communities may without any danger of exaggeration be said to be "electrified." Electric cookers (500 to 2,000 watts) come in remarkably handy for heating water instantaneously or cooking a simple meal. There are several electric ranges with ovens (1 to 5 KW).

Coffee percolators (350 to 500 watts) have long since ceased to be a novelty. Electric heaters of every description have been in extensive use. So have vacuum cleaners. No small number of sewing machines and phonographs are motor-driven.

Of late a considerable number of farmhouses and out-of-the-way homes have been installing motor well pumps, by which users have been getting practically as much benefit and hygienic service as if they had regular city water. Rice bumper crops have done much to spread motor well pumps among farmers. Pumps as well as other electric gadgets are exported.

Induction Motors

Representative among the A. C. motors are induction motors which can be operated from ordinary A. C. power source. The design of structure is simple; it is built strong; and the price is low—these being the characteristic features of the induction motors.

The 3-phase induction motors are designed to be put into action by simply connecting to a 3-phase power source. Small capacity motors of several H. P. can be put directly into operation without involving any danger of a mishap; but motors of larger capacity require various devices for starting, in order to restrict the flow of starting torque current.

Most widely used are 3-phase induction motors of the squirrel cage type. They are put to a considerably wide range of uses. The difference between these and the wound type is found in the structure of the rotor. But the squirrel cage type comes also in various forms, depending on the air cooling system adopted to prevent the rise of temperature. An outstanding feature of the squirrel cage type induction motors is that they constitute the best among the explosion-proof type motors due to the absence of the commutator.

In the case of single phase induction motors, they do not start action by merely being connected with the power source; it requires the rotor to be initially rotated by some method so that the motor may thereafter continue operating on its own. The type of individual single-phase induction motors differs according to the system of starting action.

In view of the fact that single-phase induction motors are invariably of small capacity of less than one H.P., they are convenient when used as phono-motor and for some such household service. Consequently, these motors can be installed in private households in general, to discharge a wide range of duties without involving difficulties.

Small capacity induction motors for general use are manufactured according to standardized specifications on a mass production basis in Japan. A prospective buyer of such motors may therefore be able to acquire appropriate product at favorable conditions by merely describing in detail the purpose (for which the motor is wanted), the rating, and the starting device.

Radio Receiving Sets

Most widely popularized among the household electrical utensils and appliances using weak-current are the radio receiving sets. They are generally of 5 to 8 tube superheterodyne radios for the reception of medium wave broadcast. In recent years, however, 8 to 10 tube all-wave receiving sets are also becoming increasingly popular for household use.

Portable radios of small size, which are battery operated, are also becoming popularized.

Portable radios of still smaller size, which use transisters instead of vacuum tubes, is an amplifier which has a semi-conductor made of germanium, and which functions approximately the same as a 3-electrode vacuum tube. The introduction of transisters in the manufacture of radio receiving sets has substantially simplified the structure thereof, and has reduced its size. Consequently, portable radios employing transisters have become smaller and smaller, to the extent of becoming the size of a small book.

Meanwhile the superheterodyne radios, which are most widely in use, are developing into receivers of remarkably high efficiency. For "Hi-fi" (high fidelity) has become the order of the day, through the combination of the 8-inch speaker of high sensibility with a negative feed back circuit, thereby improving the acoustic effect of reception. Consequently, it has become feasible to reproduce the whole gamut as well as the reinforcement of bass, along with the adjustment of the tone quality in accordance with the kind and nature of the broadcast. It means that the latest model receiving sets can be adjusted to perfection for listening pleasure.

Furthermore, the introduction of the syntonus, high frequency amplifier circuit has enhanced the sensibility of reception, and the device of eliminating interference (interference from other stations) has been substantially improved.

Another new feature in the manufacture of new radio receiving sets is the introduction of the time-switch; one may set the radio to switch on or off automatically to listen in on the selected program to meet one's specific requirement or preference.

The radio receiving sets are being manufactured in Japan on a mass production basis, turning out products of excellent technical standards, to meet the remarkable increase of demand in the domestic market which coincided with the inauguration of commercial broadcasting after the last war.

The production, however, has increased so much that it cannot only fully satisfy the domestic demand but also has surplus supply for export in large quantities. In fact, Japan has exported a considerable volume of parts of various specifications not only to countries of Southeast Asia but also to Brazil, Argentina and elsewhere, with indications of further growth of the trade.

Television

The way television has been spreading in Japan in only three years is remarkable. Although the total number of sets is negligible compared with the United States, they have been increasing unbelievably fast. Their erstwhile prohibitive prices have been cut step by step, until today they are within the reach of none too well off people.

Their sizes range from 7 to 21 inches. A seven inch image video usually has 17 vacuum tubes. Large ones, from 17 to 21 inches, have more than 30 tubes. Self-focusing has made images remarkably clear. Until comparatively recently Japan used to depend entirely on imported Braun

HARNESSING THE GREAT RIVERS IN CHINA

Throughout Asia there is now a passion for the development of hydro-electric power. The great extension of power dams before and after the TVA has caught the imagination. The latest addition to the projects planned by Nationalist China include a big power dam near Taipei, while People's China announced last week its decision to build a large power-dam on the Sinan River in Chekiang which will provide power for Shanghai, Nanking, Hangchow and the surrounding countryside. Its capacity will exceed that of the Fengman power-dam in the North-east. The Sinan River is a tributary of the Chientang, and has been selected as the site for this major project because of its narrow gorges, sharp gradients, and rocky bed.

This generation of Chinese may be paying for the crimes of omission of previous generations and for the achievemefits of the regime in sweat and tears if not in blood, but it is certainly working as never before. That is putting things mildly indeed, for the Chinese have always been industrious. A spokesman of the Ministry of Water Conservancy boasted on March 25 that China will spend twice as much on water conservancy this year as in 1955. This implies twice as much additional work for the peasants who are called upon for the major expenditure in mass labour. All the same the work, if efficiently done, will be to the immense advantage of generations to come, living in an age more generous and easy than this. Ho Chih-tai had reason to claim, as he did in his speech to the second session of the PPCC, as one of the men responsible for water conservancy work, that in this sphere they were doing work greater and more glorious than had ever been done by their predecessors down the ages.

Emphasis this year continues on the Huai River, the first and alas often the most luckless of China's first major river harnessing projects. Construction of three reservoirs will be started, including one of the biggest in the country. Six reservoirs on the Huai have already been completed and a seventh will be finished this year. Other work will continue, including the dredging of the lower reaches and tributaries so that by the end of the year the main course of the river will be able to withstand the heaviest flow ever recorded. Also scheduled for completion in 1956 are two water detention basins now being built along the Yangtze, on its largest tributary, the Han, and on its Huayang tributary further downstream. With most of the Tahofang Reservoir's tunnel finished and the base of its dam laid, work this year on the tributary of the Liao River will concentrate on raising the dam. Intensive preparations are being made to start work on the first big reservoir in the Yellow River harnessing project at the Sanmen Gorge. When completed the Sanmen Reservoir will be the biggest in China and end the flood menace along the lower Yellow River. Dykes along the major rivers are to be strengthened once more this year and overall plans for harnessing 45 rivers and waterway systems will be completed in 1956 to co-ordinate with the task of ending almost all ordinary flood and drought damage within seven to twelve years as laid down in the 1956-67 National Programme for Agriculture. They include plans for harnessing the Huai, the Han, the Liao River in North-east China, and the Haiho River system in North China. Plans for harnessing the Yangtze and utilising its water resources are being mapped out with the help of Soviet experts.

Irrigation projects, chiefly built by the peasants themselves, have increased rapidly since the upsurge in the co-operative movement, and 5.2 million hectares have been newly brought under irrigation since last October. It is expected that the irrigated acreage this year will be ten times greater than the original 1956 target of 1.2 million hectares.

Most of the rivers had come to be regarded not as a blessing but as a curse. A common saying among the afflicted people was that on the lower reaches of the Han River flood occurred twice every three years. Some even said that for nine years out of ten, no harvest was reaped in that region. Certainly there were five big floods between 1921 and 1949, and the terrible 1931 flood on the Yangtze inundated 76 million mow of farmland. All the cities from Shashih to Shanghai were inundated. Now both the Yangtze and the Yellow Rivers are the subjects of great Multi-Purpose Plans. On the Yellow River designing began months ago for the Sanmen Gorge project and the Liuchia Gorge project. The Multi-Purpose plan for the Han River is about to be completed, and the Tangchiangkou reservoir project is to be designed before the end of 1957. It will

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tubes. Today Braun tubes of excellent quality are produced here.

Bulbs and Others

Fluorescent lamps bid fair to supplant ordinary incandescent lamps eventually. Industrial and commercial houses, department stores, government and public offices and individual homes have come more and more to prefer fluorescent lamps. Lighter and consuming far less electricity, they are considered money-savers in the long run. They are produced more or less on an automation system.

Magnetic tape-recorders, easy-to-carry, easy-to-operate portable radiophones, teletypes indispensable for long distance transmission by newspaper and business offices, and other electric contrivances of unimagined variety are being turned out in ever-increasing volumes.

A great many public offices and railway stations use electric clocks. Mention must also be made of electric shavers which have been spreading fast since they were introduced but a few years ago. The more civilization advances the greater is the extent of the electrification of communities.

Exports and Imports

Exports and imports of electric contrivances during the calendar year 1955.

Item	Exports		Imports	
	Quantity	Value	Quantity	Value
Motors	37,657	Y561,610,000	8,335	Y317,258,000
Batteries	392,286	108,577,000	42,284	5,728,000
Storage Batteries	382,352	93,250,000	34,439	13,167,000
Bulbs	194,791,052	1,601,144,000	89,965	13,809,000
Fans	1,193,423	822,969,000	7,569	6,514,000
Heaters	254,213	75,547,000	23,557	23,242,000
TV, Radios, Phonographs*	91,993	330,148,000	666	28,856,000
Radio parts	2,239,888	418,616,000	178,868	133,176,000
X-rays	98	15,524,000	72	47,649,000
Plugs, sockets switches, etc.	1,112,509	425,183,000	102,337	70,516,000

* Electric phonographs include those equipped with radios.

REPORTS FROM CHINA

Foreign Trade: Reviewing China's trade during the first 6 months this year, Peking claimed that 16,000 tons of rolled steel were exported to India, Thailand, North Vietnam and North Korea. China also supplied the rolled steel required by a textile mill which Peking helps to build in Burma. There was a 50% increase in rug exports this year compared with the same period last year. Buyers included Saudi Arabia, Canada, Holland, Belgium, West Germany, Syria and Lebanon. Exports to S.E. Asia and Africa via Shanghai increased 74% compared with last year. Textiles, knitting machines, cigarette rolling machines, cinema projectors, radio sets and other industrial goods are among major exports. 34,000 tons of rosin were exported to 20 countries in Asia, Europe and Africa. This is 50% more than during same period last year. From North Vietnam, China imported 60,000 tons of Hongay anthracite coal after a break of ten years.

Wage Increase and Commodity Prices: Peking announced recently an average wage increase of 14.5% retroactive from April 1 this year. Wages of 18,510,000 workers in the country will be raised. There will be greater increases for workers in heavy industry and major construction areas, scientists and highly skilled workers, primary school teachers and staff, workers in supply and marketing cooperatives and administrative personnel in the villages. In areas where commodity prices are higher, a cost of living subsidy will be paid in addition to wages. Highly skilled technical personnel and those who make important contributions will receive special allowances. Piece rate wage system was encouraged. Wages had been increased during the past few years but the annual increases were uneven. The rise was more rapid before 1953, but in 1954 and 1955 it was slower and not commensurate with the rise in labour productivity. Peking also reported that retail prices of more than 2,500 commodities including daily necessaries, medicines, cotton textiles and educational supplies, dropped during the first six months. In Peking retail prices of 2,100 daily necessaries, including rubber shoes, leather shoes, vacuum bottles and bedding were cut by 10%. Prices of 18 kinds of textiles for summer wear, including pongee and linen, dropped 12.4%. A 20% cut was registered in prices of medicine and medical instruments.

Production of Lorries: On July 13th, China turned out its first ten lorries at the No. 1 Motor Car Plant in Changchun. The 4-ton six-wheeled lorries, bearing the trade mark "Liberation," are equipped with six-cylinder petrol engines of 90 horse power. Maximum speed is 65 kilometres per hour. The lorries are modelled after the Soviet "Zis 150." Mass production will begin soon and before October 1st, 250 lorries will be completed.

Textile Products: During the first 6 months this year, over 1,000 million metres of cotton cloth were produced by textile mills in China. This was roughly 2% above the plan and 25% more than in the same period last year. There was also a big rise in the output of woollen fabrics; the total reached over 3.6 million metres. The output of silks and linens increased by from 30% to 55%.

Power Stations: The first steam turbine generator of the Kirin Power Plant has started operation. This plant is the first in China controlled by automatic electronic instruments. In northern Yunnan, construction has begun on a hydro-electric power station on Yi Li River. Four hydro-electric power stations with a generating capacity of 330,000 kilowatts will be built on this river which is a tributary of the Kinsha Kiang River.

Cement Output: Cement plants in China exceeded the production target in the first half of this year by 1.84%, producing 53,800 more tons of cement (11% more than the same period last year).

Industrial Centres: Shanghai's industrial output in the first six months this year increased by 25% as compared with the same period last year: output of machine building industry nearly doubled; production of power equipment, machine tools, textile machinery, and printing machines, paper-making machines showed marked increases; output of cotton yarn and cotton cloth increased by 30%; woollen and silk fabrics by one-third; and gunny bags by two-thirds. By the end of June, total value of products of

have a total capacity of 38,500 million c.m. and can preserve the region against all but the flood of a thousand years. Power and navigation also enter into the scheme.

The grand Yangtze Multi-Purpose Plan, originally scheduled to be designed by 1958, is now to be put a year ahead. The proposed big reservoir on the main course at Sanhsia (Three Gorges) will have a total capacity of 137,000 million c.m. The reduction of flow, combined with the reservoirs on the Han and Yuan Rivers, and a variety of small conservancy measures will, it is hoped, do away with floods in the Yangtze valley, generate 155,000 million k.w.h. and so improve navigation as to enable 10,000-ton ships to sail direct to Chungking or Luchow. With all this cheap electric power water can be pumped for irrigation purposes and accumulated rainwater drained off. It is a thousand pities relations between China and the United States are so bad. Otherwise Peking would have been able to make arrangements with Washington whereby the original scheme drafted on a grandiose scale by American experts toward the end of the last war could have been applied. The Yellow River scheme alone will tax China's best efforts for some years to come, and perhaps by the time that is finished Sino-American relations and co-operation will have been resumed.

Data derived from a national conference on the general survey of water conservancy and resources recently put the rough estimate of the water resources of China at a far higher figure than that made before the Communists took over the Government. The estimated total volume, at average flow, is now put at 540 million k.w. If the utilization rate is put at between 50% and 60%, 300 million k.w. of water power could be developed. But nearly three-quarters (72%) is in the south-west and in Tibet, where the population is sparse and industry is practically non-existent. The major revision is on the Yangtze. This was formerly given at 82.7 million k.w. The new estimate indicates a total of 220 million k.w. It is held that many large hydro-electric power stations can be built not only on the Yangtze but also on its tributaries, the Min, Kialing, Wu, Yuan, Tzu and Han Rivers.

The Yangtze scheme, as originally propounded by American experts a decade or so ago, called for the supply of power over a vast area on both sides of the great river. A Peking despatch says that on the power transmitting standards of the Soviet Union, where power is carried over distances of 600 miles and more, even the municipalities of Peking, Shanghai, Canton and Yaan could derive power from the power station at the Sanhsia Gorges on the Yangtze. There are, no doubt, some Chinese engineers associated with the original American plans now on the expert staff of the Hydro-Engineering Projects Administration in Peking.

Shanghai's 15 major heavy industry factories reached or surpassed the level set for the end of 1957. State machinery plants in Shenyang turned out 63.9% more machinery and equipment than the same period last year. The Yumen Oilfield overfulfilled its crude oil production plan for the first half of this year by 2%. Crude oil production for 1956 will be 43.27% more than 1955. The Hungshan Coal Mine in Shantung fulfilled its quota under the first five-year plan one and a half year in advance. The average daily output of this mine during the first half of this year was 111.8% more than for the same period in 1953.

Industrial Growth: Capital construction for the oil industry in the first half this year was 71% more than in the corresponding period last year. Construction of 24 major projects started during the period. Six of them have already gone into production. The oil refinery in Lanchow will go into partial operation next year. A cotton textile combine with 550,000 spindles and more than 10,000 looms is now under construction at Hantan in Hopei. The combine includes three spinning mills, three weaving mills, and a printing and dyeing mill. It will be equipped with machinery and equipment made in China. The entire project is scheduled to be completed in 1959. A modern electric instruments plant in Harbin started production recently. The plant will produce electric measuring instruments for both practical and laboratory uses. Work has begun on a big new open-cut iron mine near the Anshan steel centre. Other new projects now under construction in this steel centre include a fully mechanised ore sintering plant and an ore float screening workshop. A mechanised filature started construction in Mienyang, Szechwan. When completed by end this year it will produce 260 tons of raw silk every year.

Sugar and Tea: Kwangtung produced 422,000 tons of sugar this year; 14% more than last. There are now 55 sugar refineries in the province compared with only 15 in 1951. Kwangtung is now building or expanding a number of sugar refineries. When completed, they will boost the province's sugar output by more than 200,000 tons annually. In Fukien, 1,580 tons of summer tea were purchased by the state up to the end of June; 55% more than last year. Income of the tea growers from the summer harvest is estimated to be twice as much as that of last year.

Aid to Flood Victims: Seed and fertilizer were sent to peasants in flooded areas of Anhwei. The first shipment of 14,500 tons of maize, late rice and other seed and 6,500 tons of chemical fertilizer came from neighbouring provinces. Another 3,600 tons of chemical fertilizer were sent to the province. In addition, state loans amounting to over 12 million yuan are being distributed to members of agricultural producer cooperatives.

Reservoir in Sinkiang: Chinese Army in Sinkiang are building a fifth reservoir in the Manass River Valley. It will be used to irrigate the 8,000 hectares of newly reclaimed cotton farmland and neighbouring field.

Railway Construction: Tracklaying started recently for a 23-kilometre line joining two trunk lines now under construction in Fukien. The trunk lines are the 700-kilometre Yingtan-Amoy Railway and the 211-kilometre Nanping-Foochow Railway. Tracklaying of the 668-kilometre Paoki-Chengtu railway has been completed. This line has 286 tunnels and 961 bridges. A 2,500-metre tunnel was cut below a peak of the Tsining Mountains. The line also crosses the Kialing River 16 times. Construction of the Paoki-Chengtu Railway, which passes Shensi, Kansu and Szechwan provinces, began July 1, 1952. The Lanchow-Sinkiang Railway was connected with the Yumen Oilfield on June 24.

New Airlines: The 1,718-kilometre weekly flight between Urumchi and Khotan was recently inaugurated. The new service will facilitate the transport of Khotan jade, silk and wool to other places and speed up the industrial development in Khotan. Another airline between Urumchi and Altai will be opened in September this year. Sinkiang will then have a 4,000-kilometre air transport network with Urumchi as centre. A successful trial flight over a new 600-kilometre air route from Kiuchuan in the Kansu Corridor to the Tsaidam basin was made last month. Kiuchuan is 50 kilometres from Yumen.

National Minorities: Peking has begun an investigation into the social and historical conditions of the Chinese minority nationalities. The investigations will be conducted by eight teams for a period of four to seven years. The Szechwan and Yunnan investigation teams will give priority in their investigations to the Yi, Tibetan and Chiang nationalities of Szechwan and the Chingpo, Kawa, Lisu, Nu, Penglung, Tulung and Kutsung nationalities of Yunnan. The purpose of this survey is to improve the nationalities' work in future.

PRODUCTION STATISTICS OF COMMUNIST CHINA

By G. W. Hemy

PART IV

YIELDS OF MAIN CROPS

Crop	F.A.O. Estimate China Year	China Yield 00kg/ha	Manchuria Year	Manchuria Yield 00kg/ha	Chinese Sources Year	Yield 00kg/ha	Reference
Wheat	1951	10.0	1951	6.7	1955	8.6	N.C.N.A. 4.8.55
Rice (Paddy)	1948-9	25.0	1931-7	17.9	1950	20.6	Agriculture in New China, Peking, 1953
					1951	22.5	
					1952	25.0	
					1955	25.0	N.C.N.A. 3.8.55
Maize	1952	13.3	1952	13.5	Probably about 15		N.C.N.A. 7.5.55, 28.8.55.
Other Coarse Grains	1951	8.3—12.8			Probably about 10		Report on Five Year Plan.
Potatoes	1948-9	62			? 1954	75	Report on Five Year Plan.
Cottonseed	1952	3.5 (incl. Manchuria)				3.75 on irrigated land	P.C. 16.2.54
Cotton Lint	1952	1.6 (incl. Manchuria)			1949	1.60	Agriculture in New China, Peking, 1953.
					1952	2.35	
					1955	Under 3.00	N.C.N.A. 15.9.55
Sugar Beet			1931-7	9.7	1955	145	Heilungkiang only N.C.N.A. 15.10.55.

SECTION D

1. Population and Labour Force. 2. Value of Production. 3. Exports. 4. Communications.

POPULATION (millions)

Census 30th June, 1953

	Total	Male	Female
Directly counted	574.2	297.6	277.7
Indirectly counted			
Remote districts	8.4		
	582.6		
Studying or resident abroad	11.7		
Taiwan (1951 census)	7.6		
	601.9		

Age Distribution

Scattered figures are given:

(a) in P.C.
1.4.54 Age 0-4 15.6 % of total directly counted
5-9 11 %
under 18 41.08%
80-99 1.85m.
over 100 .003

(b) in People's
Daily 16.9.55 6-15 120m.

(c) Chou En-Lai Report on Work of Government

Altogether 323.8m. registered voters, excluding a few areas where elections were temporarily postponed: 278.1 m. persons went to the polls 85.88% of all registered voters . . . 84.01% of all women voters went to the polls. (Elections since 1953).

(d) Constitution of People's Republic of China Article 86

Citizens . . . who have reached the age of 18 have the right to vote . . . except insane persons and persons deprived by law of the right to vote.

(e) Reference mislaid

Of citizens above 18, 97.18% are eligible voters and 85.88% of these voted. Presumably these are the same elections as in (c) above.

Under 18

By applying the percentages in (a) to the directly counted population we get:—

Age	0—4	89.6m.
	5—9	63.2
	0—17	235.9
By subtraction	10—17	83.1
and	18 plus	338.3
Source (b)	6—15	120.

Add for age 5 one fifth of total for ages 5—9...12.6

Therefore	5—15	132.6
But	5—17	146.3
Therefore	16 & 17	13.7
And	10—15	69.6

This gives an age distribution as follows:—

Age	0—4	89.6	average per year		17.9
	5—9	63.2	„	„ „	12.6
	10—15	69.6	„	„ „	11.6
	16—17	13.7	„	„ „	6.9
		236.1			

The current birthrate is given as 37 per thousand (P.C. 1.4.55)* which gives an annual rate of 21.25m. Either this is an over-estimate or infant/child mortality is very high.

Age 18 and over

Total	574.2
less 0—17	235.9
17 plus	338.3

Combining source (c) '323.8m. registered voters' and source (e) '97.18% of citizens eligible to vote' we get:—

17 plus	333.2

Presumably the difference of 5.1m. live "in a few areas where elections were postponed".

2.82% were not entitled to vote, i.e. 9.4m.—lunatics, convicts and the like.

* based on a survey of 30m. people, mainly in Ningsia province.

URBAN/RURAL DISTRIBUTION

Urban	77.3
Rural	505.3

Population of larger cities (millions)

Shanghai	6.2	(Shie I-Yuan P.C. 16.5.55)
Peking	2.7	„
Tientsin	2.7	„
Shenyang	over 2.	("The Times" report from Hongkong 4.11.54)
Chungking	1.75	(N.C.N.A. 14.8.55)
Canton	1.5	(U.N. Demographic Yearbook)
Port Arthur-Dairen	1.2	(P.C. 16.6.55)
Wuhan	1.0	(U.N. Demographic Yearbook)
Nanking	1.0	„
Tsingtao	.9	„
Harbin	No recent estimate	
Sian	.6	(U.N. Demographic Yearbook)
Paotow	.5	("The Times" report from Hongkong 14.12.54)
Anshan	.4	("The Times" report from Hongkong 4.11.54)

Growth of Population

(for derivation see Appendix I)

1952		567m.
1953	(Census)	582m.
1957		630m.

NATIONALITIES (millions)

Chuang	6.6
Uighur	3.6
Hui	3.6
Yi	3.3
Tibetan	2.8
Miao	2.5
Manchu	2.4
Mongolian	1.5
Puyi	1.2
Korean	1.1
Tung	.7 *
Yao	.6 *
Tai	.6 *
Minchia	.5 *
Kazakh	.5 *
Li, Kawa, Hani	.3 each *
Lisu, Nung, Lahu, Nahsi, Kaoshan	.2 each *
Shuichia, Tunghsiang, Chingpo, Kirghiz, Chiang, Tujen	.1 each *
	34.0

From Chou Wei-pin: Our First Scientific Census (P.C. 1.4.55) except where marked * which are from Wu Wen-tsao, Facts of National Minorities (China Reconstructs—March 1955).

LABOUR FORCE

Total Non Agricultural Employment

1953

	000
Workers and Employees	13,740
Private Traders	7,500
Handicrafts	10,000
Army	3,000
	34,240

Distribution of Non Agricultural Employment

	1952 000	1953 000
Private Trade Employees Retail		200
Private Trade Employees Wholesale		2,000
Private Trade Pedlars and Small Traders		7,500
Private Industry		2,640
State, Cooperative and Joint owned Industry	3,215	3,890*
Communications, Transport	693	776
Financial Establishments	346	377††
Capital Construction		
Building and Installation		1,540
Other		630
State Trade		660
Cooperative Trade		840
Handicraftsmen in Cooperatives		300‡
Individual		9,700
Army		3,000
		34,053

* There were 600,000 coal miners according to N.C.N.A. 30.8.55.

† of whom 300,000 worked for the People's Bank (Ta Kung Pao 24.3.53 quoted in Economic Development in Mainland China 1949-1953).

†† This figure had grown to 1.1 m. in 1954; by 1957 it is planned to be 5 m. and by about 1960 all handicraftsmen will belong to Cooperatives.

Change in Numbers of Workers and Employees

	All	of which Women
	000	000
1950	under 9,000	570
1951		
1952	11,950	992
1953	13,740	1,300
1954	14,950	
1955		
1956		
1957 (Plan)	16,150	

The percentage of women in the labour force varied from 6.9% in machine building to 60% in textiles in 1955.

Trade Union Membership

	000
1950	4,090
1952 (Oct.)	7,300
1953 (end)	11,000
1954 (end)	12,480

Workers covered by Labour Insurance Regulations

	000
1949	600
1951 (Oct.)	2,600
1952 (Oct.)	3,020
1953 (end)	4,830
1954 (end)	5,380

Unemployed

	000
1950 (June)	1,660
1950 (Dec.)	610
1951 (July)	450

no later figures

PRODUCTION

1. Percentage Distribution by Sector of Industrial Output

Year	State Enterprises %	Joint State-Private Enterprises %	Co-operative Enterprises %	Private Enterprises %
1949	33.9	2.4	1.	62.7
1950	41.	2.	2.	55.
1951	45.	3.	2.	50.
1952	50.	5.	3.	42.
1953	53.	6.	3.	38.
1954	59.	12.	4.	25.
1955 (Budget)	59.3	15.4	4.3	21.
1956				
1957 (Plan)	65.7	22.1		12.2

The above percentages are well documented. Indices are however less frequent, and figures in absolute values I have traced only for 1957.

By applying the figures in the two preceding tables, it is possible to assign absolute values to industrial output.

3. Value of Industrial Output by Sector

Y000m. at 1952 prices *

Year	State	Joint State-Private	Co-operative	Private	Total
1949	3.4	.2	.1	6.3	9.9
1950	5.9	.3	.3	7.7	14.2
1951	9.4	.6	.4	10.5	21.0
1952	13.5	1.4	.8	11.3	27.0
1953	19.1	2.2	1.1	13.6	36.0
1954	25.4	5.1	1.7	10.8	43.0
1955	26.1	6.8	1.9	9.2	44.0
1956					
1957 (Plan)	35.5	11.9		6.6	54.0

* The Yuan is the New Yuan current since the 1st March, 1955. 1 new yuan = 10,000 old yuan.

These figures have been calculated as follows:—

		Source
(a)	Total for 1957 calculated from sector values and percentages: the totals calculated from the various sectors differ somewhat, an average has been taken.	Table 2
(b)	Totals for 1952-7 calculated by applying indices to 1957.	Table 2
(c)	State industry figure for 1952 calculated as 50% of total.	Table 1
(d)	State industry figures for 1949-51 calculated from 1952 by applying indices.	Table 2
(e)	All other figures calculated from the above by applying percentages.	Table 1

Alternative figures, (about 10% higher) would be obtained if step (b) were accomplished by using State industry indices. The figures derived from totals seem likely to be more accurate.

Estimate of Total Chinese Production

Y 000m. at 1952 prices

Year	Industrial	Agricultural	Handicrafts	Total
1949	9.9	32.6	15.2	57.7
1950	14.2			72.5
1951	21.0			87.5
1952	27.0	48.4	26.1	101.5
1954	43.0	?46.	?34.	116.
1953	36.0	?48.	?37.	128.
1955	44.0	53.3	38.7	136.
1956				
1957 (Plan)	54.0	59.7	36.3	150.

The figures for Industrial production are taken from the preceding table. The figure for 1957 agricultural production is explicitly given. The other figures are calculated from link indices or, where available, from percentages of total output.

2. Indices of Production by Sector

Year	State Index	Joint State-Private Index		Co-operative Index	Private Index		Total Index
1949	30.3*						
1950	43.4						
1951	69.						77.5
1952	100.						100.
1953	140.	100			100		133.
1954	177.8	125	100	100	95	100	153.7
1955 (Budget)	198.1		133.9	121.3		102.2	162.
1956							
1957 (Plan)	230.1						198.3
1957 Value Ym.	35,310		11,830		6,560		

* The figure for 1949 is derived from the 1949 figure for total output (industrial, agricultural, etc.) in a later table. The only direct figure for State Industry for 1949 would give an index of 65.8 which is obviously wrong (Wang Hua—The State Owned Economy of New China. P.C. 16.1.54).

Sources for the above table are exiguous, and the results therefore subject to considerable error. They probably do give the order of values.

EXPORT TRADE

Volume and Distribution

Values in million U.S. Dollars

Year	ALL TRADE			WITH SOVIET BLOCK			WITH FREE WORLD		
	Total	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports
1950	1,200	640	560	310	160	150	890	480	410
1951	2,200	770	1,430	1,340	420	920	860	350	510
1952	2,200	1,270	930	1,600	940	660	600	330	270
1953	2,800	1,690	1,100	2,120	1,300	820	670	390	280
1954	2,920*			2,280			640°	371**	285**
1955									
1956									
1957 (Plan)	3,650†								

Figures of trade with the Free World are taken from the Economic Commission for Asia and Far East (Bulletin Vol. IV, No. 3 and Vol. V, No. 4) except for 1951 and 1954. For 1951 all figures are based on L.M. Herman: "Soviet Foreign Trade in Review of Economics and Statistics, November 1954, p.p. 437 ff. Total figures of all trade and of Soviet Block trade are obtained from the ECAFE figures by applying the percentages regularly given in Chinese Sources. The breakdown between imports and exports for the Soviet Block is based on occasional indices given in Chinese reports, but information is very scanty and its reliability patently low.†† These figures are very tentative. The swing between a large unfavourable balance of trade in 1951 and a heavy favourable one with bloc countries in 1952 and 1953 needs an explanation.

* 84,860 million yuan is the figure given by N.C.N.A., 16.10.55, F.E.E.R. 1.9.55, New York Times, 29.7.55, which would give U.S. $34-36 m. The 1954 Report however tells of an increase of only 4½% between 1953 and 1954, which seems much more likely in view of the 1957 target. This, however, may be too low—see next note.

† This figure is 166.5% (the F.Y.P. target) of 1952. By accepting the 1954 figure given officially of around $35 m. and working back from this the 1952, 1953, 1954 and 1957 totals of all trade are about 20% higher. But there are then difficulties in allocating the higher amounts: and if Chinese trade had risen so fast, I suspect there would be more information about it.

†† As an indication of the inconsistency of Chinese foreign trade figures I quote verbatim the relevant passage in the 1953 Economic Report (the only one which gives explicit percentages):

> "In 1953, economic relations with foreign countries continued to expand. Over 50 countries traded with our country. Total imports and exports in 1953 were 36% more than in 1952. Of these, imports increased by 38%, 106% of the plan; and exports by 33%, 97% of the plan. In 1953 trade with the U.S.S.R. was 33% more than in 1952. Trade with the People's Democracies was 25% more than in 1952. The trade of our country with the U.S.S.R. and the People's Democracies constituted 75% of all our foreign trade. In 1953 trade with the capitalist world registered an increase of 52% compared with 1952."

The one percentage which appears correct in the above is 75% for the share of the Soviet bloc in 1953 since this appears elsewhere. For 1952 the figure was 72% so that Soviet bloc trade has increased faster than Free World trade with China.. 52% for the increase in Free World/China trade is therefore clearly wrong but any correction of it falsifies the figure of 36% for the increase in all trade.

Calculated by applying the Free World percentage of total trade as given in Communist sources to the total dollar figure.

** As given by W. H. Chamberlin, Wall Street Journal, quoted in New York Times 20.11.55. The individual figures do not add to the total, which again suggests that $2,920 may be low for the grand total—but not by very much.

RAILWAYS

1. Length of Line Open to Traffic

Year	000 Km.
1949	21.7
1950	22.2
1951	23.0
1952	24.2
1953	(24.8)
1954	25.5
1955 (est.)	26.6
1956	—
1957 (plan)	34.2

2. Railway Freight

Year	Volume Carried Index 1952 = 100	million metric tons	Ton/Kilometres Index 1952 = 100	000 million ton/Km.	Average Distance Carried Km.
1950	76	(100)	65	(39.3)	393
1951	84	(110)	76	(46.)	417
1952	100	131	100	60.5	462
1953	120	(157)	129	(78.0)	497
1954	144	(187)	153	(92.5)	495
1955	158	(206)			
1956					
1957 (plan)			200	120.9	

The last column is obtained by simple division.

3. Freight: Working Conditions

Period	Average Daily Distance run by freight car KM.	Average tonnage hauled by freight loco. TONS	Average rate of turnround (i.e. between loadings) DAYS	Average speed (inc. stops, coupling & uncoupling) KM./HR.	Average Distance run by freight loco. KM./DAY
Before 1949	132' (Highest, N.E. China 1938)	742.23 (1946)	*	13.4 (1946)	254 (Highest, N.E. China 1940)
1949 (Year)			Over 4		278
1950 (Year)	185.4	1016	3.34	20.9	336.7
1951 (Year)	223.4	1103.1	3.22	22.8	374.6
1952 (First half)	287.3	1213.5†	2.90	25.2	416.6
1952 (Year)			2.90		
1953 (First half)					418.4

* For N.E. China the following figures are given:—

1948	5.60 days
1949	3.98 days
1950	2.76 days.

† The highest load hauled in early 1952 was 7207.9 tons.

4. Railway Passengers

Year	Index	000 Million Passenger/Km.
1952	100	20
1957 (Plan)	159.9	32

5. Rolling Stock—number

Year	Locos	Wagons	Passenger Coaches
1952	3310	54700	2450
1955 (est.)	3600	73500	3840
1957 (plan)	3860	88500	3890

SHIPPING

1. Inland

Inland Waterways open to Shipping

	000 Km.
1949	77
1952	90
1955 (est.)	100

Inland Fleet

1952	4 m. tons
1957	4.3 m. tons

Freight Carried

Year	000 M. Ton/Km. Index 1952 = 100	000 M. Ton/Km. Quantity	M. Ton Index 1952 = 100	M. Ton Quantity
1950	52	(1.88)	49	(2.6)
1951	62	(2.24)	61	(3.2)
1952	100	(3.62)	100	5.3
1953	154	(5.57)	156	(8.3)
1954				
1955				
1956				
1957 (Plan)	420	15.30		

Passengers Carried

Year	M. Passenger/Km. Index	M. Passenger/Km. Volume	M. Passengers Index	M. Passengers Volume
1952	100	1900		
1954				54
1955 (est.)				58
1957 (Plan)	178.7	3400		

2. Coastwise and Ocean Transport

Fleet

(000 gross tons)

1952	614
1957 (Plan)	725

Ownership

Year	Private %	Joint State-Private %	State %
1952	46½	7	46½
1955	17	27†	55

Year	Freight Carried Index 1952 = 100	Freight Carried million ton/nautical miles	Passengers Carried Index 1952 = 100	Passengers Carried Passengers million
1950	8	(158)		
1951	60	(1188)		
1952	100	(1980)	100	100
1953	102	(2020)		
1954				
1955				
1956				
1957 (Plan)	290.5	5751	240	240

ROADS AND ROAD TRANSPORT

1. Roads open to traffic.

	000 Km.
End 1949	75.0
,, 1950	102.8
,, 1951	107.4
,, 1952	120.0
,, 1953	125.0
,, 1954	128.0
Mid 1955	140.0

Year	Lorry Freight Traffic Index 1952 = 100	Lorry Freight Traffic Volume million ton/km.	Bus Passengers Index 1952 = 100	Bus Passengers Volume million passenger/km.
1950	27	(185)	53	(1000)
1951		? 300*		
1952	100	(680)	100	(1900—)
1953	122	(830)		
1954	175	(1190)		
1955 (est.)	223	(1520)		
1956				
1957 (Plan)	470	3200	nearly 300	5700

* Inferred from an index for State Operated Lorry Transport only.

AIR TRANSPORT

Freight Carried

Year	million ton/km. Index	million ton/km. Amount	million tons Index
1950	40	(0.98)	38
1951			81
1952	100	(2.44)	100
1953	184	(4.49)	176
1954			
1955			
1956			
1957 (Plan)	330	8.05	

APPENDICES

I. Derivation of certain production figures for the Light Industry.

II. Justification of the Production Figures for Textiles.

III. An attempt to estimate production of individual food crops.

APPENDIX I

Derivation of certain Production Figures for Light Industry

Table in C.R. October 1955 (Chen Han-seng, "The First Five Year Plan").

"Planned Increase in the Production of Light Industry

Article	1957 Production per capita	% Increase as Compared With 1952
Matches	20 boxes	25
Machine Made Cloth	9.7 yds.	32
Salt	26.4 lb.	38
Flour from Modern Mills	16.3 lb.	41
Paper	3.1 lb.	50
Vegetable Oil for Cooking	6.24 lb.	65
Rubber Shoes	0.17 pr.	70
Sugar	3.85 lb.	121"

Actual production figures for 1957 are given as follows:—

Flour	4,670,000 tons	(N.C.N.A. 19.8.55)
Sugar	1,100,000 tons	(— ibid —)
Edible Vegetable Oils	1,794,000 tons	(— ibid —)
Machine Made Paper	665,000 tons	(N.C.N.A. 24.8.55)

The first three quantities all refer to populations of 629-632 m., so that a population of 630 m. may be assumed as the estimate for 1957. Using this figure total production figures are obtained for 1957 as follows:—

Matches	12,600 m. boxes	(87.5 m. gross)
Machine Made Cloth	6,111 m. yds	(N.C.N.A. 25.8.55 and First Five Year Plan give a figure of 163,720,000 bolts, which gives the yardage of an average bolt at 37.3—a likely figure).
Salt	7,425,000 tons	
Paper	871,900 tons	the difference between this and the figure above is presumably accounted for by hand made paper.
Rubber Shoes	107.1 m. prs.	

The above figures for 1957 are used in the appropriate tables.

Attempts to establish 1952 production figures from similar data do not yield such happy results. It is not clear whether the percentage increase refers to per caput or total production, nor whether allowance has been made for changing population: figures are tabulated below:

Article	% Increase 1952-7 in above table (1)	from other sources (2)	reference	Stated 1952 production in other sources (3)		Reference
Matches	25					
Machine Made Cloth	32	47	N.C.N.A.25.8.55	111.63 bolts		1 FPY.
Salt	38					
Flour	41	56	N.C.N.A.19.8.55			
Paper	50	76*	N.C.N.A.24.8.55			
Vegetable Oil	65	†(65.9 (52.8	1 FYP. N.C.N.A.19.8.55			
Rubber Shoes	70	69.8	1 FPY.			
Sugar	121	144	N.C.N.A.19.8.55	(249* (450	All	1 FPY. N.C.N.A. 19.8.55.

* Machine made only.

† The lower figure has been used in the following calculations, and eventually rejected.

There are then these possibilities:

(a) figures in column (1) above refer to the increase in total, rather than the per caput, consumption. Then columns (1) and (2) should be identical.

(b) figures in column (1) refer to the increase in per caput consumption. Then:

(i) if population changes are allowed for, column (2) should exceed column (1).

(ii) otherwise columns (1) and (2) should be identical.

Possibility b(i) is the most logical: Cloth, Flour, Sugar, and probably Paper conform with it. Rubber Shoes fall either into (a) or b(ii). There is clearly something inconsistent in the two percentages for Vegetable Oil. The figures for Cloth give 1952 figures of 7.35 yds. per caput for a population of 567m. Using this figure Flour (11.56 lb. per caput) gives total production of 2,935,000 tons which agrees very well with the round figure of 3m. tons in the production table. Similarly Sugar (1.74 lb. per caput) gives 440,000 tons compared with 450,000 tons in the production table. These agreements seem to establish the general reliability of the method; we then deduce 1952 production for:

Paper	2.07 lb.	per head	524,000 tons
Matches	16 boxes	„ „	63 m. gross
Salt	19.1 lb.	„ „	4,830,000 tons

For Rubber Shoes and Vegetable Oil we get two sets of figures for 1952:

	Canvas Shoes pr. per cap.	Canvas Shoes Total m. pr.	Vegetable Oil lb. per cap.	Vegetable Oil Total 000 tons
(a) Assuming increase per cap. 1952-1957 is correct	.10	56.7	3.82	967
(b) Assuming increase in total production is correct	.11	63.1	4.63	1,174

There seems little to choose between the alternatives for Canvas Shoes from their probable intrinsic reliability and I therefore choose (a) which gives the lower values.

For Vegetable Oil, we have an alternative figure for the increase in total production (65.9%) which would give a figure of 1081 instead of 967 under (a). It seems fairly clear therefore that production of Vegetable Oil in 1952 was about 1 million metric tons.

APPENDIX II

Justification of the Production Figures for Textiles

1. "Young Builders of China" (Peking June 1953) pp 16 f. describes a new method of spinning which cuts the wastage rate from 1½% to ¼%. If this method were universally adopted it would save 44,460 bales of yarn per annum* (i.e. 1¼%). Yarn production for 1952 is therefore 80 x 44,460 bales, i.e. 3,556,800 bales.

2. Same reference then proceeds.... "would save 44,460 bales of yarn, sufficient for 64 million yards of cloth". Cloth therefore averages 3.8 yards per pound.

3. First Five Year Plan Report (P.C. 16.8.55): In Shanghai in the first quarter of 1955, 193.1 kg. of cotton produced 1 bale (181.4 kg.) of cotton yarn which is 3.5 kg. below the national average set for the first half of 1955. The average amount used was:

State Mills	192.49 kg.
Jointly owned Mills	193.33 kg.
Privately „ „	193.71 kg.

A saving of 1 kg. per bale will give another 20,000 bales per annum: this implies a total production of 20,000 x 181.4 bales = 3,628,000 bales. This is much the same figure as was obtained from the first reference and presumably also refers to 1952 (the base year of the Five Year Plan). 1954 production is almost certainly higher.

4. In 1952 one spindle could spin 1.2—1.3 lb. of 20's yarn per 20 hours, i.e. 1 bale p.a. (Nan Han-chen, "Prospects for the Development of Economic Relations.." 4.4.52.). The number of spindles at end 1954 is estimated at 6.3m. (see table) and these were used at 80—90% capacity (Chen Han-seng, "The First Five Year Plan", C.R. October 1955). This calculation gives production of 5. to 5.6m. bales. My estimate is 4.6m. bales. The difference arises from:

   1. Not all the spindles installed at the end of the year worked throughout it, nor necessarily even for any part of it.

   2. "80—90% capacity" is a vague phrase which probably implies a figure rather below 80 than above it.

   (N.C.N.A., 15.10.55., says that 1 million spindles were produced between 1951 and 1954 and that these provided capacity for 6 million bales of yarn a year. This cannot be literally true: the implication probably is that this million spindles, together with existing capacity, could spin 6 million bales per annum. This agrees approximately with my figures).

5. Tsou Teh-hsin ("Chinese Women Join in Socialist Construction", Women of China, August 1954) says that 7.77 metres of machine made cloth were available per caput in 1953. 7.77 x 582 million metres = 4,900 million yards.

* The actual saving in 1952 is given as 27,110 bales (Women in the Textile Industry—Chang Chin-Chiu, P.C. 1.5.53) i.e., a loss of ¾% or just under 1½ kg. a bale. This is not of course the total loss in spinning (vide ref. 3. above).

APPENDIX III

An attempt to estimate production of individual food crops

Chinese sources are relatively abundant in figures for the production of "foodstuffs", "food crops", or "grain". By whatever name they are called these figures normally aggregate the production of the following (Economic Bulletin for Asia and the Far East, November 1953, Vol. IV, No. 3, p. 21):

Grains Rice, Wheat, Barley, Oats, Sorghum (Kaoliang), Millet, Proso-Millet, Maize
Oilseeds* Soya, Groundnuts, Sesamum
Peas
Broad Beans
Potatoes

Individual figures are given with any regularity only for Rice and Wheat. Link indices for Groundnuts, Rape, Soya and Sesame have been given for most years for 1951 to 1954. From the other crops I can trace no figures for China as a whole.

Chen Yun in a speech to the National People's Congress (N.C.N.A. 21.7.55) on the Food Situation deals with grain rationing and compulsory purchase, and says:

> ".... In 1954 .... the Government in effect levied and purchased 26,650,000 tons of grain, only a little over 18 per cent of the total grain output of 146 million tons. This percentage is not high. At the same time, considered from another point of view, the amount of grain each peasant possesses is not small. For instance, the total grain output of the country in 1954 reached 169.5 million tons."

I take this to mean that production of all food crops in 1954 was 169.5 million tons, of which grains as above accounted for 146 million tons.

* Cotton seed and Rapeseed are apparently not included and I have worked on this assumption in reconciling the figures below.

i.e., production of Oilseeds, Peas, Broad Beans and Potatoes was 23.5 million tons.

Various unofficial estimates are available for the production of the individual crops, but these vary quite considerably between themselves and often seem to me to take insufficient account of year-to-year fluctuations in yields.

I list below the unofficial estimates I have used. Where two sources are quoted I have used a rounded figure, which is roughly the average of the two.

I have used the estimates only for the year 1952 from non-official sources and projected production figures for other years by using official Chinese link indices where they are available. The reasons for picking this one year are several:

(a) by using only one set of non-Chinese estimates, my reliance on outside sources is kept to a minimum. The reliability of the official figures is therefore better tested.

(b) 1952 is the base year for the Five Year Plan and indices incorporating this year are relatively more complete than for any other years.

(c) 1953 is the first year for which official Chinese figures have been checked in the light of "wider coverage improvements in statistical methods and other reasons". (1952 and 1953 Economic Reports. P.C. 16.11.54).

(d) Non-Communist estimates for later years are infrequent at the time of writing.

(e) 1952 was a bumper harvest year. Communists everywhere have a dislike for reporting a fall in output. Figures for later (and less favourable) years are likely to be obscured in mellifluous ambiguities.

ESTIMATES USED

1. Oilseeds

Estimates used:—

Year	Soya Beans		Sesame Seed	
	Fehr* 000 tons	FAO† 000 met. tons	Fehr* 000 tons	FAO† 000 met. tons
1951	8144	8275	880	800
1952	8756	8900	855	775
1953	9481	9050		670
1954	9000	9500	760	

Year	Groundnuts		Rapeseed	
	Fehr * 000 tons	FAO† 000 met. tons	Fehr* 000 tons	FAO† 000 ton. tons
1951	2480	2250	3055	2800
1952	2370	2250	3210	2900
1953	2325	2100		2750
1954	2400	2300	3100	2900

* Frank Fehr & Co., Annual Review for 1953, London 1954. All the 1954 figures are forecasts.

† FAO. Yearbook of Food and Agricultural Statistics, 1953, Part I and Monthly Bulletin of Agricultural Economics and Statistics.

Production Figures derived from above and used as a basis for tables in Section C.

Crop	1952	1954
	000 met. tons	
Soya Beans	8850	8500
Sesame Seed	800	? 850
Groundnuts	2300	2320
Rapeseed	3050	2800

2. Other non-grain crops

The only estimates I can trace are those by F.A.O. (opp. citt.) for 1948-1950 (average) and 1952.

Crop	1948-50	1952
	000 met. tons	
Dry Beans†	1130	1150
Dry Peas†	2900	2970
Broad Beans‡	2890	3140
Potatoes†	1850	? 2000*
	8770	9260

* My estimate, No F.A.O. figure.

† China (22 Provinces only)

‡ China and Manchuria.

No official Chinese indices are known.

3. Rice and Wheat

Estimated production figures are given in the main tables of Section C.

4. Other Grain Crops

F.A.O. Estimates for 1952

	million metric tons
Barley	7.1
Oats	10.0
Millet	11.1
Sorghum	10.7
Maize	10.8
	49.7

No official Chinese indices are known.

5. Production of All Food Crops

Estimated Production figures are given in a table in Section C.

These data and the deductions from them listed in tables in Section C allow the construction of the following table:

	Production 000 metric tons		
	1952	1953	1954
Wheat	22600	22600	28500
Rice	68000	70000	69300
Other Grains	49700	(3)	(2)
Edible Oilseeds	12000	12300	11500
Other Food Crops	9300 (5)	(4)	(1)
Production—All Food Crops	163900	166800	169500

By inference Chen Yun tells us that Oilseeds and other Food Crops in 1954 totalled 23.5 million tons, the figure at (1) should therefore be 12,000: and that production of all grains in the same year was 146. million tons, (2) is therefore 48200. The Communique on the 1954 State Plan says that production of Coarse Grains in 1954 was 3% below 1953, (3) is therefore 49700. By addition (4) is 12,200.

This leaves 1952 where the individual items add to less than the total. The total itself, and figures for Wheat, Rice and Oilseeds are linked to the other years by indices which appear reliable and any alteration to these 1952 figures would therefore run counter to the reasoning so far employed. The error is likely to reside in the figure either for "Other Food Crops" or that for "Other Grains" and can easily arise from the incomplete coverage either by area or product of my figures (e.g. most of the figures for other food crops are for China—22 Provinces only and exclude Manchuria; the figures for other grains exclude prose-millet). An alteration to the figure for Other Food Crops seems rather more likely, especially since an increase in production of 30% between a bumper crop year and a less good one seems inherently unlikely. For (5) I would therefore substitute 11600.

The figures for Other Grains and Other Food Crops will therefore read:

	1952	1953	1954
Other Grains	49700	49700	48200
Other Food Crops	11600	12200	12000

The complete table is given in Section C.

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(End)

PROBLEMS OF FUTURE DEVELOPMEMT OF TAIWAN

Taiwan's First Four-Year Economic Development Programs are to expire at the end of this year. Therefore the Economic Stabilization Board of the Executive Yuan, which is in charge of economic planning in Taiwan, is now blueprinting the second four-year development programs. In some respects the first four-year development programs are a success, but in some other respects they are not so successful. Due to insufficient display of imagination and wisdom on the part of the planner, the various programs showed lack of coherence, and some of the strategic factors were not adequately considered.

Any economic planning must be practical in order to be of value. But in order to be practical, the planner should first of all realize the circumstance his country is in, or will be in during the period of implementation of the programs. If the country is of substantial size and a period of peace is to be expected, then the planner can be bold in laying out his development plans. But if he is in a small country and cannot expect any period of peace in the immediate future, then he must be realistic and plan accordingly.

The main facts that the planner in Taiwan today should recognize are the following:

First, a large army is being kept by the Government for defense purposes. That means incurring defense expenditures to such an extent that very little Government funds will be left available for development. Military preparedness is the very antithesis of economic development. Military and development expenditures will both vie for the limited real resources of the country. Expenditures, either military or development, if financed by deficit financing, will surely cause price rises and monetary instability, which in turn will discourage all private capital outlays. Therefore, in such a circumstance, inflation is the very thing to be guarded against in considering economic development.

Secondly, the basic economic policy of the Government and the economic system it advocates should be reckoned with. Sun Yat-sen's Principle of Livelihood is the basic, guiding principle. He would allow free enterprises to exist in the country but would certainly advocate State regulation of all vital industries. Therefore industries in Taiwan today are largely owned by the Government (although the original cause for such a state of affairs was the taking over of industries from the hands of the Japanese as the latter surrendered in 1945). This explains also why the Government is assuming the role of regulating almost every phase of economic life of the people in Taiwan. Any economic planner should reconcile himself to this circumstance and must go along with this basic policy of the Government.

Thirdly, the natural economic circumstances of Taiwan should be well remembered, if the planning is to be really effective. It will be folly to try the impossible. Taiwan is a semi-tropical island depending upon foreign trade to a large extent to develop its economy. Its agriculture has a good foundation and its present development is satisfactory; but its further development will be rather limited by the small area of cultivated land. The law of diminishing returns always applies to agriculture with particular severeness. Its population is growing at a rapid pace. Its industries have been developed under the protective policy of the Government, as well as under the assistance of foreign aid. How best to cope with these conditions is therefore a thing to be considered when mapping out development plans.

There are two serious drawbacks in the first four-year programs which must be corrected. The first drawback is that we emphasized only the production goals (i.e., the kind of production and the expected quantities of production) without relating them to the economic and social significance in general. Production by itself is meaningless; it has meaning only when it can be expressed in terms of human relationships. In other words, in setting the production goals the questions of "For whom and by whom it is produced?" and "What will be the effects on the distribution of national income?" should also be answered, if the production goals are to relate to national income and its distribution. An increase of production naturally will increase national income, but to what extent? The amount of increase in national income as generated by each particular development project should be estimated. And who will receive this increase of income? That also should be located.

Secondly, some of the production goals set in the first four-year programs were decided primarily from the view of needs, without sufficient reference either to financial capability or to the technical aspect of the projects. Consequently, either because of the lack of funds or on account of technical difficulties the production goals were adjusted frequently, thus the people in general paying little attention to the original planned figures. In principle, whenever production goals are announced, the financial and technical aspects of the projects should also be resolved, if the projects are to be successfully carried out. It is not wise to announce any development plan if the question of how to finance it or how to get at it is not decided upon.

The purpose of all economic planning is to accelerate and to coordinate the utilization of basic economic resources. In order to do so, all information regarding basic economic resources of the country should be made available to the planner. The basic economic factors are four, namely, population, natural resources, capital, and technology and organization. Economic development is merely an increased interplay of these four factors.

1. Population—Statistics on age distribution and employment condition should be as detailed as possible. 2. Natural resources—Conditions on land utilization, mineral deposits, climate, produce, etc. should all be familiarized. 3. Capital—In underdeveloped countries capital is scarce; therefore the problem of capital formation is most serious. The stage of economic development is usually measured by the size of capital formation relative to national income. 4. Technology and Organization—This includes all technical skill and management personnel of the country. Information on the technical knowledge of the people is indispensable for any economic planning.

First of all, the planning authority has been confronted with problem of investment funds. Savings of the people appeared to be insufficient to meet investment requirements. While investment funds from overseas Chinese were rather small, the chief source of funds available for investment has been United States aid. Either the Counterpart Fund or the U.S. Dollar fund has been a great help in making industrialization in Taiwan possible. But in principle the ICA would like to finance individual projects only, to the disregard of the over-all plan. Neither would it like to commit itself to financing any project with periods over a year or so, because the U.S. Congress appropriation of fund on foreign aid has been on the yearly basis. Therefore, how best to adjust development programs to the best availability of the United States aid is still a problem. How to increase the national saving is another.

Secondly, the shortage of foreign exchange to provide for the necessary imports has also been a major difficulty encountered by the planning authority. Almost all development projects would require import of machinery, equipment and raw material, therefore the pressure on foreign exchange is always acutely felt. It is generally recognized that foreign exchange is a strategic factor.

Thirdly, the insufficient coordination between the planning authority and the other ministries concerning finance, trade and industry has also been affecting adversely the implementation of development programs. The planning authority has not been able to persuade the other ministries upon the necessity of keeping a certain fiscal, monetary and trade policy so as to facilitate the implementation of development programs. For instance, the Government's policy of meeting immediate fiscal needs was always detrimental to economic development and economic planning, but it was considered so imperative that the planning authority had to acquiesce in.

* * * *

All economic planning should have the objectives and targets clearly set, the attainment of which would be the goal of the planner. Generally speaking, the general objective is either (1) to increase national income, (2) to increase production, or (3) to increase employment. As the three are not necessarily complementary to one another, one should be chosen as the major objective. Plans that will increase production may not necessarily increase employment, and those plans which create most jobs may not be the most productive. The correlation of the three is not a straight line.

In view of the growing number of population and of the unemployed, and in order to maintain a good social order and a fair distribution of national income, the chief objective of Taiwan's economic development should be the increase of employment, not of production. Japan and India have set the increase of employment as their major objective. However, in pursuing such an objective, what is important to remember is that the productivity of the country

and its productive efficiency should not be much diminished.

The private sector should be segregated from the public sector in mapping out the development plans, for the problems involved in the two sectors are different. The public sector is directly controlled by the Government, while the private sector is only indirectly controlled. How to influence the economic activity of the private individual or a private firm is a most difficult problem for the planner, but, on the other hand, the responsibility of the Government in implementing the programs directly undertaken is onerous. In influencing the private sector, what the Government needs to do is merely to foster a "climate" favorable to investment.

In Taiwan today, the importance of private and public sectors is about even. In view of financial stringency, it may be well to extend the private sector in pushing the economic development to fill the gap to be left by the public sector.

The plans on the development of agriculture and industry should be co-ordinated in order to avoid competition for resources. The resources such as land, labor and capital to be available for use for both industry and agriculture may be the same. Therefore, there should be some kind of allocation for resources.

The economic effects of each individual plan on the whole economy should be studied. Every single operation of an industry, for instance, a purchase of raw material or a sale of its product, will produce effect on the other parts of the economy, and the effects will be multiplying on the changes in national income and employment. Those enterprises which in their net effects create the highest national income or the largest number of jobs should be considered as the best enterprises.

There should be a budget for investment funds required by the public sector, which budget should be passed by the legislature to be ensured of its approval. Some margin should be provided in the budget for taking care of probable changes in price levels and other contingencies, if the plans are to be successfully carried out.

Special attention should be given to all strategic factors which should be provided with specific budget. The resources budget, the exchange budget, and the commodity budget are all very necessary for constant reference.

In planning, aggregative targets should be set, toward the attainment of which all efforts should be directed. The targets may be determined with reference to economic needs, but for practicability and feasibility they should be determined with reference to the nation's capability of achieving them under the assumed circumstances. The following aggregative targets are proposed for the next four-year plan:

1. National Income—The annual increase of national income should be set at 5 to 10%, or the total increase of national income at 20 to 40% for the four years. This target may be regarded as too high, but in view of the fact that the present level of national income is comparatively low and that the primary purpose of having a four-year plan is merely to accelerate economic development, it seems right to set the target something more than 5% annually.
2. Employment—The annual increase of employed people should be set at 100,000 in the least in view of the unemployment situation, the growing population and the increasing number of college graduates and retired soldiers.
3. Investment—The annual net investment in industry and agriculture should amount to about US$40 million and NT$2,000 million. These figures would correspond roughly to what have been invested in the past three years in Taiwan. These amounts may be divided equally among (1) agriculture, (2) industry, (3) communications, and (4) public utilities. The share for industry may seem too small but agriculture here includes irrigation, fishery, and forestry.

DEVELOPMENTS IN SINGAPORE

Mr. Lim Yew Hock has now undertaken the responsibility for the second chapter of the Rendel phase of Singapore's Constitutional development. He takes over the role of Chief Minister without change of Ministers, retaining his former Ministry of Labour and Welfare. He has the goodwill of both wings of the opposition, which is not merely the passive relief of each that it keeps the other wing out of office. The new Ministers have the immediate responsibility of preparing the Budget which will shape Singapore's development for 1957 and they must face up to the current problems presented by the Chinese Middle Schools and political cultural societies. But they cannot and will not be allowed to forget. Singapore must apply the lessons it has learned in the preparation, conduct and failure of the talks, and must prepare the clarity of detail, and agreement on aim, which alone can give strength to the Singapore delegation in the second round of talk with the Colonial Office. While the Colonial Office is blamed for the failure, as is inevitable in any colonial territory, there is no such countervailing conviction that the Singapore delegation was right in objective or tactic to believe that Singapore need give no further thought to its own actions. There has been no general surge of opinion against the Colonial Office. The protest meetings have been planned by the Peoples Action Party and not on an All-Party basis. This gives a genuine second chance for open, friendly constitutional processes of agreement, which would not confidently have been foreseen four months ago. The first constitutional talks defined the problem: the second must find the answer.

Opinion in Singapore was disappointed that no agreement was reached, for it kept the constitutional problem an open one, with the possibility of agitations. While the Colonial Office offers had seemed more than an interim and unsatisfying dividend and had proved that no rigid and stubborn attitude had been taken by the Colonial Office. Public opinion had never known the details of the "Merdeka" which had been asked for in their name, and not knowing the positions aimed at or retreated from, could not be expected to share the sense of defeat of the Thirteen who had fought over the battleground—and some of the Thirteen did not appear to have followed all the intricacies of the operations. But what made a firm impact on public opinion was the difference within the Singapore Delegation.

These were the press reports throughout and the statements made to the Press and on television by the leaders in London. These were brought home by the succession of statements in Singapore on the return of members in different groups and at different times, and particularly when Mr. Marshall, the last to return, asked Mr. Lee Kuan Yew to leave the room at the airport when he had his first Press Conference before he reported to, or consulted with, his fellow Ministers who had remained in Singapore or his party executive. He firmly repeated his intention of resigning.

There followed nearly a fortnight of consultations by all parties of the next step. Would the Labour Front seek to retain Mr. Marshall as Chief Minister? Would it resign with him and seek an election? Would it continue in office under a new Chief Minister? Would the UMNO-MCA-SMU Alliance continue in a coalition under Mr. Marshall? If the coalition resigned, would the Governor call on the Liberal Socialists to form a Government? If so, could they? Or was it better, as the PAP wanted, to have a new election? It was Singapore's first experience of a change of Government under a parliamentary type of constitution. It was a necessary part of political education and emphasised that the shape of the government depended in fact, not on the Governor, but on the Assemblymen, the elected representatives of the people. But before the Assembly met, the Labour Front had decided that Mr. Marshall should resign as Chief Minister and that Mr. Lim Yew Hock should take his place. Mr. Marshall would retain his seat in the Assembly and was elected as President of the Labour Front, in place of Mr. Lim Yew Hock. And lest the Liberal Socialists should be invited to form a government the P.A.P. threatened the strongest protest.

When, therefore, the Assembly met on June 6th, it was known that Mr. Marshall would retire and there was not the tone of debate one would expect from major controversy, for the crucial decision had been taken. Mr. Marshall, in proposing a motion to approve the stand of the Mission, reviewed the talks, but brought out no new points, except his welcome for a reported statement of the Federation Chief Minister that the Federation would not join SEATO, adding that Singapore was being sacrificed by Britain to "their god of brass—SEATO". His bitterest attacks were on the Colonial Office—though not the Secretary of State. He took up recent speeches on the strategic bases to argue that Singapore never had a chance of self-government because of Britain's strategic interests "Because" he said, "they believe they need Singapore, because they are tired of being kicked around, their hearts are hardened. They will not see the only fruitful approach is to trust the co-operation of a friendly people within the framework of very practical guarantees". He denied at length that the divisions within the Mission were the cause of failure. But "close and friendly co-operation with Britain" was still required "however bitter the ashes of our dead hopes", and Singapore must patiently keep the door open for Britain and the Federation "until reason and good sense could prevail."

Mr. Marshall had attacked no section of the Mission, but Liberal Socialist speakers showed no hesitation in attacking him and proposed an amendment to say that H.M.G.'s proposals should have been accepted as an interim measure in view of "the considerable constitutional advance" and of "the urgent need to restore a feeling of confidence and stability". Mr. Lim Cheong Mong, in moving the amendment, attacked the P.A.P. for firing the extreme claims which led to the breakdown. Mr. John Ede put their general case succinctly when he said "Our joint commonsense tells us that 90% self-government plus 100% security with which to maintain it, is better than 100% internal self-government plus only 50% security with which to maintain it". They earned Mr. Marshall's taunting question why they had merely abstained on the vote in London on the final vote, and Mr. Lim Chin Siong's epithet as "collaborators of colonialism". The amendment, though defeated by 18 votes to 6, had set clearly the basic difference defined as a result of the talks. On the main motion, Mr. Lee Kuan Yew contended that the talks had failed because the climate of British opinion had been against them—the officials "were in no mood for dynamic and imaginative changes in colonial policies". Nevertheless it had not been a waste of time for it had "brought out all the issues as no amount of correspondence could have done". They must build up a movement for a free democratic non-Communist Malaya for "if we want to succeed we must succeed on our own strength and not on the weakness of the other side". The main motion was carried without a division.

A second motion proposed by Mr. Marshall "took note" of his correspondence with the Secretary of State in seeking to re-open negotiations. He gave a narrative account of the moves he made and attacked Mr. Lee Kuan Yew's Press Conference in London dissociating himself completely from these moves. But he claimed he had proved Singapore's "genuine anxiety for an honourable peace" and had proved that the breaking point was not over internal security because the two points he had raised—a Malayan Governor-General and an alternative Ministry to the Colonial Office to control and destiny of Singapore—had nothing to do with internal security. There was no debate on this motion and in his measured statement of his actions, criticised by Mr. Marshall, Mr. Lee Kuan Yew paid a farewell tribute to Mr. Marshall, the Chief Minister, sincere by its moderation. "He did not spare himself. He worked hard and believed in what he was doing. After all is said and done, we wish him bon voyage".

Mr. Marshall went straight from the Assembly to submit his letter of resignation to the Governor, Sir Robert Black. His letter paid tribute to the "courtesy and patience" of the Governor to him. He said he had promised to "achieve political freedom constitutionally and peacefully within the framework of close and friendly relations and co-operation with Britain and the Commonwealth". He had had a "full and fair opportunity" of achieving it but the Colonial Office had proved him wrong and he was resigning and recommending that the Governor should call on Mr. Lim Yew Hock to form a government. The Governor invited Mr. Lim Yew Hock that evening and the next morning, June 8th, he accepted and the members of the Council of Ministers were sworn in under Mr. Lim Yew Hock.

In his initial broadcast, the new Chief Minister emphasised that while they would seek their legitimate constitutional aspirations "we cannot divert our anxious attention from our economic and social problems". He continued "We accept office in no spirit of defeat or disillusion. We accept office full of faith in the commonsense of the people of Singapore, and full of confidence that its rich potentialities can be realised in the building of a much better Singapore than there has been in the past and concluded". "It will be our endeavour as a Government to show by our actions that we are worthy of the people of Singapore and that the people of Singapore are worthy of the peoples of Asia.

He was more closely pressed at a very fully attended Press Conference by Overseas and Singapore press representatives, where he sat symbolically with all his ministers as a team. He agreed they were a "caretaker government" only in the sense that they were continuing the policy of the Labour Front Coalition Government. In general, he would work for the co-operation but not coalescing of parties in a natural front to build up strength for talks with the Colonial Office within a year. Asked if he would resign if there was no approach from the Colonial Office within three months, he said he was not going to keep on saying he would resign. Perhaps that word will be now less frequently heard in Singapore.

Since he took office, problems other than Government are showing themselves. On his first visit to Kuala Lumpur, Mr. Lim Yew Hock was given hospital welcome by all the unofficial ministers at the airport. Nevertheless the Federation Chief Minister has made clear that he does not want Singapore as a member of the Federation. Singapore

must seek its immediate future in relation to, but not in association with, the Federation. The ban by the Federation on parties of more than five from four named Chinese Middle Schools is a reminder that the Federation are not going to be passive in their reaction to events in Singapore. This particular decision will, one hopes, make furiously to think those who claim to be Malayans. Perhaps the Tengku's definition may come to be considered more authoritative than those self-styled Peking-peeking student Malayans. The ban on outdoor meetings planned by the PAP to protest the blame of the Colonial office raises the difficult question of the border-line between anti-Colonial protest and anti-European agitation which might lead to communal uneasiness at the least. While in the City Council and in small industries, Labour restlessness continues.

Mr. Marshall has left on a mission of understanding for Japan and China: Chinese merchants are on a Trade Mission to China following the relaxation of the restrictions on the export of rubber to China: both open up the dominant problem of the conflict of loyalties to which the Chinese are subject. The Malays are making the necessary deductions from it.

Singapore has solved none of its problems, but they become clearer and more urgent without the opportunity, and wish for constitutional solutions being dissipated.

Housing

Housing remains one of Singapore's most urgent and most intractable problems. Up to the end of 1955 the Singapore Improvement Trust had completed over 14,000 houses and shops at a cost of over $76 million and Government has approved loans of up to the value of $95.9 million. During 1955, 3,000 houses were built which is nearly 50% more than the previous record year. Although they were built to provide houses for 20,000 people, this is less than half of the natural increase of the population. There remains what the 1955 Annual Report of the S.I.T. describes as "the gigantic problem of slum clearance" in re-housing 190,000 people. It is estimated that it will cost $900 per person to clear the slums and the total cost will be somewhere in the region of $200 million. Apart from the three satellite towns envisaged under the Master Plan, progress has already begun on 2 satellite suburbs in Queen's Town and Tua Payoh which together will provide houses for 115,000 people. The first neighbourhood in Queen's Town is now almost complete and 10,000 people have already moved in. Building in Tua Payoh is expected to begin in 1956. One of the most difficult problems, however, remains in the moving of squatters on the lands for these building schemes. This has held up developments this year. The 1956 target was 3118 units, but there seems little hope of this now being achieved. A special Working Party was set up on clearance and resettlement of squatters. This has now made a report which provides for orderly compensation and moving of squatters, but a lot will depend on the co-operation of squatters, who are already being exploited for political purposes against the Master Plan. This is short-sighted for with a population growing at the rate of 50,000 a year by natural increase, housing is clearly the most urgent problem from every point of view.

PUBLIC BORROWING IN THE PHILIPPINES

The Philippines is faced with the problem of an increasing population (now at over 22 million) and a productive capacity that cannot keep pace with the rate of population increase. With private initiative very slow, it is the duty of the government to take the leadership in bringing about improved conditions for the masses. The problem of financing economic development thus arises. For an economy like the Philippines 9% of the national income should go into investment each year to sustain the present level of living. The yearly net investment for both the public and private sectors is about 6%. It is obvious therefore that this figure must be raised if present levels of living are to be improved.

Economic development can be financed from three sources, namely: (1) tax collections, (2) foreign investment, and (3) public borrowing. Past experience has shown that efforts to intensify tax collections in order to increase government revenues have proven futile. In order to meet the growing requirements of the economy, it is necessary to stabilize tax sources, impose new taxes and increase the rates of existing ones. Even these steps will hardly raise enough funds to finance the budgetary requirements of the Government which increase every year owing to the need for the expansion of government services as well as the need for new ones. However, the nation can neither defer economic development programs for lack of funds nor sacrifice social overhead (or non-development expenditures on defense, education and welfare). Foreign investment, upon which many are relying as another source of development financing, is wary due to the lack of long-range government policy that is free from arbitrary and inconsistent regulations. This shaky situation causes an unattractive foreign investment climate. In historical perspective, little foreign investment has come to the Philippines.

The only practical avenue is public borrowing. Under Republic Act No. 1000, the government is authorized to float public works and development bonds not exceeding P1 billion, in order to mobilize the savings of the people and those in financial institutions and put them to work. General experience however during the last years is that a substantial portion of the securities issued by the Government and its agencies are bought by financial institutions and are ultimately discounted at the Central Bank. The public absorbs only a little over 3% of recent bond issues. Obviously, this method of borrowing from the banking system is highly inflationary especially if the proceeds are diverted partly into non-productive and non-self-liquidating projects. In the present situation, out of the 6% of the national income, or P480 million, being invested, P116 million comes from the Government, P35 million from government corporations and P329 million from the private sector. How can the government meet the deficiency in investment of about 3% of the national income or P276 million?

For fiscal year 1956, the total net outlay for economic development of the Government is estimated at less than 2% of the national income. The plan for fiscal year 1957 has raised the amount several times by allocating P640.9 million, or 7% of the national income, for the purpose of stimulating agricultural and industrial production. Although still below the desired 9% level, the local trend in public development outlays seems encouraging when compared to that of other countries, such as Thailand, Burma, and Pakistan. Maintaining a rising level of government spending for development requires the use of public borrowing. At the same time, as the development program progresses, a rising percentage of normal development outlays must be financed by taxation or budget surplus. Projects which not only induce productivity in the private sector but also undertake production of goods which private business does not

ECONOMIC REPORTS FROM BANGKOK

Promotion of Industries: The Government has recently intensified its efforts in the promotion of domestic industries. It has outlined a plan covering the type of industries which the Government wishes to promote. The essential points which the industries must achieve before they will be given any aid by the Government are that firstly, the industries must be able to show the Government that the quality of their products is as good as those imported or the industries have the potential capacity to improve the quality of their products in due course; secondly, the industries must convince the Government that their production is adequate for domestic consumption or will be adequate for domestic consumption in the near future. The Government has taken steps in promoting the enamel ware industry by banning the import of certain enamel products. Other products which are totally banned from imports are paper umbrella and its skeleton, onion and potato.

Japan Trade: The signing of "Trade Arrangement Between Japan and Thailand" in April marked a milestone in the trade relation between the two countries. After World War II trade between Thailand and Japan had been conducted on a barter trade system and the flow of goods between the two countries was artificially guided in order to balance payments. As from the date of the coming into force of this Arrangement, all payments will be effected in Pound Sterling or United States Dollar instead of through the Open Account settlement. With the new Arrangement in effect, it is generally expected that imports from Japan into Thailand will most likely reach a record high since World War II, as there will be no restriction on imports in order to balance with exports. Merchants who import goods from Japan will no longer be required to apply for import licenses except in a few cases where articles are restricted from imports from all countries. However, payments for purchase of rice from Thailand by Japan will be settled through the Open Account until the end of November this year in order that the outstanding deficit incurred by Thailand in the Open Account will not have to be settled immediately.

Japan may buy this year 300,000 tons.

Rice Trade Developments: Debts owed to the Ministry of Economic Affairs by rice exporters now total over 200 million baht. The original 500 million baht debts have been reduced to the present figure, through efforts to get merchants to pay up. Merchants are being summoned daily to make agreements with the Ministry to set definite dates for payment of outstanding debts in instalments. The Acting Economic Affairs Minister, Phra Boripand Yudhakit (also Minister of Finance), appointed a committee to expedite payment of the debts.

The Ministry of Economic Affairs is trying to get farmers to release their paddy stocks so that they may be milled and relieve the shortage of rice for export. Farmers will be warned that if they hold on to their stocks they may be getting lower prices, because toward the end of the year there may be more rice available for supply to world markets and at the same time paddy in hoarding may deteriorate in quality and therefore in value. Japan has been complaining of "yellow rice" and it would be difficult to sell that country deteriorated grain.

So far this year, Thailand has exported 430,000 tons of rice. A survey is being made of amounts of rice in rice-mills and in hands of middlemen as well as of paddy stocks held in the farms. The estimate is still 1,400,000 tons available for export this year. Thailand is trying to export on the average of 100,000 tons per month.

In 1952, 1,427,948 tons of rice, valued at 3,865,206,-057 baht, were exported: in 1953, 1,340,558 tons, valued at 3,826,900,000 baht; in 1954, 1,003,757 tons, valued at 3,086,530,174 baht; in 1955, 1,221,152 tons, valued at 3,152,493,275 baht.

If paddy prices of this year are compared with those of the same period last year it would be found that they are higher. In January-February last year the price for first class paddy was 680-960 baht per kwien while this year it was 980-1,030 baht. Second-class paddy last year cost 600-730 baht, this year 720-870 baht. Third class paddy last year cost 500-640 baht, this year 660-790 baht.

Import Control: To further improve the national economy, Government is to re-impose control on imports, promote exports for longterm maintenance of international markets, revise import tariffs and promote domestic industries. Last year there were improvements in production and marketing abroad of rice, rubber and tin. More was produced, prices abroad were higher. However, imports increased, with greater demand despite higher import tariffs on non-essentials. There was only a foreign trade deficit of 387 million habt compared with 899 million baht the previous year.

There was higher government income as a result of revised taxes and improved taxcollecting methods. Because of a higher living standard, there has been an increase in the cost of living index; it was 146.8 (1948=100).

Cinema: To promote the domestic movie industry, the Government plans to consider imposing quotas on foreign film and bestowing awards to local actors and actresses. Between 60 and 80 million baht annually goes out of the country for foreign films. At present, there are no laws authorizing the Government to place quotas on films. The

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find profitable are the appropriate areas for public investment. Such projects as those authorized for the Manila Railroad Company, Cebu Portland, NASSCO, PHILCOA and PHHC are productive in some sense and are therefore in order.

Maintaining development expenditures annually within the financial resources of the country will continue to pose one basic issue and that is—the choice between a development project and a non-development or service activity. If public investment is to contribute to stepping up the overall development effort, continued emphasis on public expenditure for development projects is essential. From a long range point of view, it will be during the initial years that government spending for development will have to be large scale. Completion of these investment projects will make possible an environment that is conducive to private enterprise, including those of foreign investors. Only then will private investment take an increasingly larger proportion of the overall investment, thereby reducing the government share. Government outlays for development can then be diverted to other essential ends. By that time, it may be hoped, the taxable capacity of the country will have increased and government revenues raised to a point at which it can provide for greater services than ever before. It follows then that development expenditures should not be concentrated in the public sector alone but also in the private sector so as to create an integrated and well-balanced economy.

Government banned showing of movies made in Communist countries.

Help Farmers: The Government wants to promote farming especially in the northeast, with growing of peanuts, rice, soya beans. Last year Gov't had a 10 million baht budget allotment for building silos and buying up and storing produce from farmers if the middlemen offered too little to the farmers. The Government would buy the produce to sell in Bangkok or for export. A silo is now built at Saraburi to hold 500 tons of produce. Others, of similar capacity, are built in Surind, Srisaket, Ubolrajthani, Udorn, Buriram and Banphai of Nakorn Rajsima. This year, with a similar 10 million baht budget, a larger-capacity silo is to be built at the Port of Bangkok. It will be able to hold 2,500 tons of rice. Nine more silos of the same size will be built at the Port. Gov't will buy paddy from farmers who are members of cooperatives, and will bring it to the Port of Bangkok to be exported or, if the cost of living in Thailand is too high, to be milled (in the case of rice) and sold to the people in this country.

Pork Trade Monopoly: In Thailand's northeast there is fear among pig farmers of a return to monopolistic pig and pork trade. Since the Government abolished the monopoly there has been an increase in pig farming in the northeast and farmers have been happy because there is no monopoly concern to force prices down or to make it difficult for them to sell pigs or to cheat them in weighing. There is a report that the former concern "Taharn Samakhi" is trying to regain its monopoly on the northeast pork trade and that it has the support of some high military officials. According to the report Field Marshal Pin Chunhawan, Minister of Agriculture, has submitted this proposal to the Ministry of Interior to consider. Though this concern used the name of war veterans, Chinese were among the chief officials, and real Thai war veterans gained nothing from the monopoly. With free trade pig farmers are getting better prices for their livestock now than previously.

Vaccines: Khun Vichit Phahanakarn, Director General of the Thai Livestock Department, has delivered to Hongkong 80,000 doses of Newcastle disease vaccine. This latest delivery makes a total of 250,000 doses which have been supplied to Hongkong by Thailand to date. Small supplies have been sent to Laos and Viet Nam. The shipments to neighboring countries were made possible by a new process developed by the Livestock Department with the assistance of the Food and Agriculture Organization. Under the new process the Veterinary Laboratory at Pak Chong is now in a position to increase its vaccine production tenfold. Veterinary officials and private poultry dealers in Hongkong have been enthusiastic about the performance of the vaccine and additional shipments will be made now that production has been increased.

Trade With Reds: The Government holds to its policy of forbidding trade with Communist China because the United Nations considers Communist China an aggressor in Korea. Premier P. Pibulsonggram's order to the Ministry of Foreign Affairs to study American proposals to reduce the list of embargoed goods for Communist countries does not mean any change in Thailand's trade policy

Trade Fair: The Bangkok Chamber of Commerce held a trade fair at the Lumpini Dance Hall from June 1 to 7. It was mainly an exhibition of Thai products. The chief aim is to let the Thai people know what products are produced in Thailand and the quality of these products.

International Trade Fair: General Mangkorn Promyothi, Lord Mayor of Bangkok, discussed plans for an International Trade Fair to be held in conjunction with this year's Constitution Fair in December. Representatives of the Bangkok Chamber of Commerce, the Japanese Chamber of Commerce, the Indian Chamber of Commerce, the Netherlands Trade Council, the Chinese Chamber of Commerce, the Board of Trade and the Ministry of Economic Affairs were among those present. It was decided to open the trade fair at the same time as the Constitution Fair. The meeting decided that there should be five sections for the trade fair—a textiles section; a heavy industry section; a consumer goods section; a publicity section; a miscellaneous goods section. Lumpini Park, where both fairs are to be held, will be divided in 109 lots for the trade fair. The Lord Mayor reported that all countries with which Thailand has friendly relations will be invited to participate in the trade fair.

Japan Survey Of Iron Ore: The Government has approved plans by a Japanese industrial concern to make a survey for iron ore deposits. The concern, Nippon Koei, will make the survey in the provinces of Uttaradit, Puket, Krabi, Cholburi and Rayong as well as various islands in the Gulf of Thailand and near Puket. The survey is being made with a view to establishing a steel factory in Thailand. The proposed plant is to be owned 50-50 by the Japanese concern and the Thai Government. The Japanese would loan to the Thai Government. An annual interest of four percent is to be charged on this loan. It is planned to permit the factory to export surplus iron bars produced by the factory.

Sugar Factory: The Thai Economic Development Corporation is building a large sugar factory in Supanburi and is extending sugarcane production in that province to meet the needs of this plant for raw material. At present 10,000 rai is under sugar cane but under the corporation scheme a total of 40,000 rai will be placed under cane cultivation while the eventual target is 100,000 rai. The corporation has sent tractors to Supanburi for the cane-growers to clear land for cultivation. The Sri Ayudhaya Bank is planning opening a branch in Supanburi.

US Funds For Northeast Road: Nearly $7,000,000 in additional United States funds have been allocated for the continued construction of the magnificent new Northeast Highway.

This new technical aid money from the U.S. International Cooperation Administration will enable construction of the road to Nakorn Rachasima. Last year work on the important highway began with the U.S. contributing $6,130,000 and Thailand $952,381. These amounts were sufficient to build the highway from its beginning south of Saraburi on the main highway almost to Pak Chong, 63 kilometers away. The new funds, totalling $6,876,912, will push the road nearly to Nakorn Rachasima. A bill is now being studied by the U.S. Congress calling for $5,000,000, which will take the road into Nakorn Rachasima.

First section of the highway, from Saraburi to Pak Chong, will be finished a year from now, the second link to Nakorn Rachasima, a year later. A contract has already been let by the U.S. Operations Mission to Thailand to Sverdrup and Parcel, Inc., a U.S. engineering firm, for the prealignment survey from Pak Chong to Nakorn Rachasima. Originally, the estimate for the total cost of the Northeast Highway, from Saraburi to Ban Phai, was between $22,000,000 and $23,000,000. Ultimately, it will cost more, because the road specifications have been changed to make the highway 12 meters wide instead of 11. Also, more fill is needed than was first estimated. Basic work on the first 28 kilometers of the Saraburi-Pak Chong link is already completed.

Rock for the road comes from the quarry and crusher brought from the U.S. for the project. The plant to supply asphalt for the road is finished and concrete pipe is actually being made on the roadside. Through the cooperation of the engineering and contracting firms building the highway young Thai engineers are getting a firsthand education in

practical road construction. Ten new engineering graduates are working on the project and Thailand's 12 highway district engineers will all spend an intensive two weeks' observation period on the highway project. Three Royal Thai Army engineers are also on the site. In addition six engineers of the Royal Thai Highway Department are permanently assigned and others will observe the project from time to time. More than 80 Americans and 800 Thais are employed in the highway construction. Headquarters are at Muaklek where the engineering firm and the contractor Raymond Construction Company have offices and shops. Hundreds of pieces of roadmaking equipment are being used on the road. When the work is finished the equipment will become the property of Thailand for use on the country's road network.

The road will greatly increase the mobility of defense forces and facilitate economic development in the Northeast. It will strengthen the Northeast.

FINANCE & COMMERCE

HONGKONG EXCHANGE MARKETS

(July 23—28, 1956)

U.S.$

July	T.T. High	T.T. Low	Notes High	Notes Low
23	$601½	600½	599¾	598⅝
24	600	599¼	598	596½
25	600½	600	597¾	596½
26	600¼	599⅞	597½	596¼
27	601⅜	600	599¾	597⅛
28	606¼	604½	604¼	601½

D.D. rates: High 604¼ Low 597½.

Trading totals: T.T. US$2,540,000; Notes cash $525,000, forward $2,300,000; D.D. $380,000. US dollars first eased under selling pressure and profit taking as well as on account of the slight recovery of sterling rates. On Saturday, however, Egypt's nationalisation of the Suez Canal Company stimulated speculative buying; T/T, D/D and Notes all reached new heights. The market was very firm at the close. Interest for change over in the notes market favoured sellers and amounted to HK$4.27 per US$1,000. Positions taken averaged US$3¼ millions. In the D.D. sector, market was quiet.

Yen: Change over interest favoured sellers and aggregated HK$2.60 per Yen 100,000. Cash quotations were HK$1,427.50—1,415 per Yen 100,000.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK$: Philippines 1.85—1.835, Japan 0.014625—0.01445, Malaya 1.876—1.869, Vietnam 0.06536, Thailand 0.2785—0.27. Sales: Pesos 340,000, Yen 114 millions, Malayan $360,000, Piastre 11 millions, Baht 6½ millions.

Agreed Merchant T.T. rates: Authorised banks quoted following selling and buying rates per foreign currency unit in HK$: England 16.202—16.10, Australia 13.016—12.757, New Zealand 16.202—15.867, United States 5.839—5.755, Canada 5.948—5.861, India 1.216—1.205, Pakistan 1.218—1.204, Ceylon 1.219—1.207, Burma 1.216—1.205, Malaya 1.889—1.871. Selling rates for South Africa, 16.236; Switzerland, 1.333; Belgium, 0.117; West Germany, 1.389.

Chinese Exchange: People's Yuan notes at HK$1.70 per Yuan; Taiwan Dollar notes at K$160—159 per thousand, and remittances at 157—155.

Bank Notes: Highest and lowest rates per foreign currency unit in HK$: England 16.15—16.07, Australia 12.50, New Zealand 14.40—14.35, Egypt 15.25, South Africa 15.78—15.77, India 1.19—1.185, Pakistan 0.815—0.81, Ceylon 1.00—0.98, Burma 0.525, Malaya 1.834—1.833, Canada 6.1075—6.045, Cuba 4.80, Philippines 1.9425—1.93, Switzerland 1.36, West Germany 1.38, Italy 0.0093, Belgium 0.105, Sweden 1.00, Norway 0.70, Denmark 0.77, Netherlands 1.43, France 0.01465—0.01445, Vietnam 0.07—0.0685, Laos 0.073, Cambodia 0.081—0.079, Sandakan 1.50, Indonesia 0.189—0.184, Thailand 0.278—0.272. Macau 0.995.

GOLD MARKET

July	High .945	Low .945	Macau .99
23	$261	260⅜	
24	260¼	259¾	
25	260¼	259⅝	
26	260¼	259½	Low 269½
27	261	259⅞	
28	263⅛	262	High 272

The opening and closing prices were 260⅜ and 262¼, and the highest and lowest 263⅛ and 259½. The market followed the development of US dollars; quotations were highest on Saturday. Interest favoured sellers and aggregated HK$1.55 per 10 taels of .945 fine. Trading averaged 8,900 taels per day and amounted to 53,400 taels for the week, in which 13,830 taels were delivered (4,730 taels listed and 9,100 taels arranged). Speculative positions averaged 30,500 taels per day. Imports were from Macau and totalled 12,500 taels. A shipment of 60,000 fine ounces reached Macau. Exports amounted to 11,500 taels (8,000 taels to Singapore, 3,000 taels to Indonesia, and 500 taels to Korea). Differences paid for local and Macau .99 fine were HK$12.30—12.20 and 11.80—11.60 respectively per tael of .945 fine. Cross rates were US$37.91—37.89 and 32,000 fine ounces were contracted at 37.90 C.I.F. Macau. US double eagle old and new coins quoted at HK$268—265 and 226 respectively per coin; Mexican gold coins at 282—279 per coin.

Silver Market: 1,000 taels of bar silver were traded at HK$5.97—5.95 per tael, 1,200 $ coins at HK$3.82—3.80 per coin, and 2,000 20 cents coins at HK$2.92—2.90 per 5 coins.

HONGKONG SHARE MARKET

(July 23—27, 1956)

The news of possible increases in standard rents for domestic and business premises stimulated demand for Hongkong Lands; over 11,200 shares changed hands during the week and the quotation reached 71 on Friday. On the whole, trading was more active

than the previous week; shares which maintained steady demand throughout the week were—Wheelocks (with 21,300 shares transacted), Realties (152,000 shares), Trams (13,300), Lights (34,000), Electrics (12,400), Telephones (58,600), Cements (10,700) and Dairy Farms (14,100). Union Ins., Wharves, Providents and Hotels registered good gains but profit-taking eased prices towards weekend; closing rates, however, were still higher than those for the previous week. Business during the week aggregated $6.17 million; fluctuations were small:

SINGAPORE SHARE MARKET

Transactions in the main remained small and the volume of business meagre. Notwithstanding this, and also the fact that higher taxation is feared by some to be just around the corner, a considerable number of counters in the Industrial, Tin and Rubber sections, had further rises. Fraser & Neave with few shares on offer were taken from $1.86 to $1.90, Federal Dispensary to $2.05 and Hammers to $2.87½, all with buyers over. There were daily transactions in Wearne Bros. at $2.97½, Malayan Collieries at $1 and Henry Waugh at $1.37½. St. Traders had increased turnover at $24.10 and $24 and Wm. Jacks which were taken to $2.87½ cum the 10% interim, closed at $2.80 ex dividend buyers. McAlisters were better at $2.82½ and both Singapore Cold Storage and Robinsons were steady at $1.50.

Kuchai had business at $1.86, Klang River after publication of the Accounts improved to $1.02½ and Rantau were better at $1.48 buyers. Sungei Way with a satisfactory quarterly output from 2 dredges had buyers at $3.30 but Petaling after having touched $3.47½ arrival from London, closed sellers at $3.40.

Austral Amalgamated with a dividend announcement in the offing moved up from 16/9 to 17/3, Rawang Tins improved to 8/10½ buyers and Kuala Kampar were taken from 27/1½ to 27/7½. Lower Perak were quiet at 16/9, but Berjuntai, owing to the scarcity of scrip, jumped to 24/- x.d.

Malayan Tin, due to a big increase in production, moved from 9/6 to 10/- and Siamese Tin had local exchanges at 8/9 and 8/10½. London supplied Pengkalen Ords. at 13/10 and Meru Tin at 7¾d.

The Rubber section had a better week. Ayer Panas moved from $1.06 to $1.10 and Jimah were marked up to buyers $1.10 with no scrip on offer. Sungei Tukang and Tapah were in demand on rumours of land sales, the former closed buyers at $1.45 and the latter jumped from $2.40 to $2.70. Langkon North Borneo were taken from London at 1/10 and 1/10½ and Sapong Rubber at 18/10½ and 18/11¼ including stamp.

The local Loan market again had little turnover.

Oil Search had only small business around A21/- and Western Titanium 2/6 paid up were taken at A5/3.

Shares	July 20	Last Week's Rates			Ups and Downs
		Highest	Lowest	Closing	
HK Bank	1700 s	1700	1690	XD 1670	firm
Union Ins.	985 b	995	982.50 b	990	+$5
Wheelock	9.35	9.35	9.25	9.35	steady
HK Wharf	92 b	94.50	92.50 b	93.50	+$1.50
HK Dock	42.50 s	43 s	42 b	42.50	firm
Provident	14.60	14.90	14.50 b	14.70	+10¢
Land	67	71	68	70	+$3
Realty	1.50	1.55	1.50	1.50	firm
Hotel	15.30	16.20	15.30	15.80	+50¢
Trams	24.60	25.10	24.80	25	+40¢
Star Ferry	144 s	143	141 b	142 b	steady
Yaumati	114	115	113 b	114	steady
Light (o)	24.90	25.10	24.90	25.10	+20¢
Light (n)	22.40	22.50	22.40	22.40	steady
Electric	32.25	33	32.25	32.50	+25¢
Telephone	26	26	25.80	26	steady
Cement	37.50	37.50	37.25	37.25	—20¢
Dairy Farm	16.60	16.70	16.60	16.60	firm
Watson	12.50	12.80	12.60	12.80 s	+30¢
Amal. Rubber	1.525 s	1.525	1.475 b	1.525	steady
Textile	4.80	4.70	4.60 b	4.65	—15¢
Nanyang	7.70	7.70	7.60	7.60	—10¢

Monday: Land shares were in good demand; Realties were active with approximately 100,000 shares changing hands from $1.50 up to $1.55; and Hotels tacked on further gains. Wharves and Godowns also improved. Utilities were well supported at fractionally higher levels. The undertone was firm and the turnover amounted to $1.41 million. **Tuesday:** The market was active and prices fluctuated within narrow limits as a result of mild profit-taking. The turnover amounted to $1.83 m. **Wednesday:** The market turned dull and the turnover amounted to $372,000; prices easier. **Thursday.** Trading was moderate, price movements few and small, the undertone steady. The turnover amounted to $950,000. **Friday:** Lands registered strong demand and firmed to $71; profit-taking eased prices at the close. Rubbers were a shade firmer in sympathy with the commodity. The turnover amounted to $1.61 m.

The Secretaries for Yangtsze Finance announced that at the close of business on July 26, 1956, the shares had a statistical value of $8.78.

DIVIDEND

The "Star" Ferry Company, Limited, announced an interim dividend of $3.50 (per share) which will be paid on August 31, 1956.

HONGKONG AND FAR EASTERN TRADE REPORTS

(July 22—28, 1956)

Japan and China sent more exports direct to Hongkong's most important market—SE Asia. This development curtailed HK's exports to SE Asia during the past three weeks. Slowly but unquestionably, , HK's trade will be seriously affected. China is also developing the port of Tsamkong on the Liuchow Peninsula into a major centre for trade with SE Asia. Tsamkong can now handle ships up to 10,000 tons. The railway link to the port was completed recently.

Among other trading partners, Korea continued to procure a good portion of her imports from the local market but her demand turned more selective and the volume of purchase limited by low buying offers. Europe remained interested in China produce but the volume of such exports reduced.

China Trade: In Peking, a supplementary trade protocol for 1956 was signed between China and Russia to cover China's additional (not included in the 1956 protocol signed December 1955) imports of machine tools, drilling equipment, building machinery, cranes and hoists, air compressors, pumps, diesel engines, generators, motor cars, agricultural machinery, various kinds of instruments, ferrous metals and other industrial supplies. Russia will get from China additional supply of sulphur, mercury, caustic soda, soda ash, rice, tea, woollen fabrics, needleworks, skins and hides, etc. According to Mr. L. W. Tattersfield of New Zealand, Peking bought from him during his recent visit to China, some wool and there was a possibility of increasing New Zealand's wool export to China. Attracted by results achieved by various trade missions to Peking, a private Italian economic and industrial mission will also visit China this autumn. To promote more exports to Cambodia and

Laos, Peking instructed export organizations and factories in Shanghai and Canton to effect prompt deliveries, improve packings, and to standardize export qualities. In Hanoi, China signed three agreements with North Vietnam; one on trade and payments and two on Chinese aid. Under the trade agreement, China will supply cotton, cotton yarn, cloth, rolled steel, medicine and educational supplies. Vietnam will export coal, cement, maize, timber, and other staples. Chinese assistance will include complete sets of factory equipment, rolled steel, lathes and machinery, locomotives, vehicles, ships, and equipment for industrial and agricultural developments and transportation. China will also send technicians to Vietnam and will train Vietnamese students. To the local market China sent over 2,000 tons of staples, industrial products and foodstuffs including 770 heads of live cattle, substantial quantities of cement and sawn timber. About 1,200 tons of China's exports to Singapore and Indonesia were transhipped here. Export from here to China remained insignificant in spite of recent improvements.

Taiwan Trade: Demand from Taipei for metals, industrial chemicals and pharmaceuticals improved with HK's increased imports from Taiwan consisting mainly of sugar, live hogs, fruits, ginger and other staples. To earn more foreign exchange, Taipei encouraged exports of industrial products such as vacuum flasks, bicycles, sewing machines and electric meters by facilitating imports of industrial raw materials and by granting loans to factories manufacturing these items.

Japan Trade: Africa, Thailand, Singapore and Indonesia ordered from Japan through HK firms (L/Cs transferred here to Japanese suppliers) substantial quantities of sundries, cloth, metals and cement. HK dealers slowed down the booking of Japanese paper and metals because new indents had advanced too much while demand from SE Asia uncertain. Japanese woollen knitting yarn, worsted yarn, woollen piecegoods and other winter goods were booked by local dealers for deliveries before Xmas. Imports from Japan last week included 600 tons of cement and normal volume of textiles, metals, electric appliances, sewing machines and sundries. To Japan, HK shipped about 1,500 tons of exports consisting mainly of rosin (870 tons), scrap iron (200 tons), woodoil, citronella oil, sesame, silk waste, medicinal herb, etc. Japan also enquired for 50,000 tons of maize from Australia. In Singapore, the Bank of Tokyo will establish a branch at the end of this year or early next; the licence was granted recently.

Korea Trade: Seoul earmarked more foreign exchange ($2.5 m. from Military Aid Fund and $12 m. from ICA Fund) for various imports. Enquiries reached here covered chiefly paper, cloth, metals, pharmaceuticals and industrial chemicals. Seoul also wanted to buy 10,000 tons of wheat flour. Buying offers in most cases, however, were low and during the week only a small number of transactions were closed. Dealers here were expecting more orders from Seoul during the next few weeks.

Indonesia Trade: Djakarta recently disclosed that Indonesia's trade with communist countries turned out to be "unprofitable." Nearly all the trade agreements with Poland, Czechoslovakia, East Germany, Rumania, Hungary and Yugoslavia have been terminated. The Bank of Indonesia last week announced that Indonesia's foreign currency reserves were continuing to dwindle. The Government reduced the amount of foreign currency that must be held against money in circulation. Due to the sluggish exports and the increasing gap between official and black market rates, a devaluation of the Indonesian currency appeared imminent unless a loan could be obtained from the International Monetary Funds. As a result of the shortage of foreign exchange, Djakarta cut imports from here. To stimulate exports, Djakarta removed duty on rubber exports. Authorities there intended to earmark about 2,200 million rupiahs to subsidize exports but due to financial difficulties the plan was shelved. Meanwhile Peking offered to buy tin and oil from Indonesia. Djakarta will send a trade mission to Peking next month to discuss the sale of rubber; export of tin and oil to China is still under embargo but Djakarta will "study the question."

Thailand Trade: Bangkok curtailed imports because market over there was saturated with commodities imported during the past three months. Orders reached here last week covered limited quantities of HK manufactured goods as well as some Chinese and Japanese industrial products (glassware, metalware, cement, chinaware, etc.). Imports from Thailand remained very active; Thai staples arrived last week included 2,000 tons of rice, 188 pkgs of groundnut kernel, 530 bags of bean, 50 heads of live cattle and considerable quantities of teak logs and squares and sawn timber.

Singapore & Malaya: According to Mr. Yap Pheng-geck, secretary of the Singapore Trade Mission to China and Japan, Singapore is re-establishing itself as an entrepot in the Far East. He said inter alia: Singapore bought S$120 m. worth of goods yearly from China while exports to China totalled only S$12 m. With normal relations, Singapore should be able to do about S$500 m. worth of trade both ways with China. Singapore will sell China rubber, timber, pepper, sago and scrap iron; rubber will be the main export. From China, Singapore will import grain, building materials, foodstuff, Chinese medicine, textiles and machinery. HK-Singapore trade remained active. Orders reached here were chiefly for HK manufactures and Chinese staples.

The Philippines: Manila suspended barter transactions with HK and announced that all licences already issued for barter trade must be used before the end of September. Dealers here estimated that authorised barter transactions not yet shipped aggregated about US$1.5 million. HK-Philippines trade after September would be much handicapped because at the present, barter dealings constituted the major portion of trade between these two places. On the other hand, cargo movements between HK and Manila would probably remain very active during the next two months—before the expiration of existing licences.

Cambodia, Laos and Vietnam: Cambodia and Laos now allow imports from China financed with exchange other than that from US aid funds. HK exports to these states remained active and in return bought sesame, cotton, rubber, maize, scrap iron, etc. from this area. Supplies booked by these states from Japan through HK included rayon yarn, gourmet powder, worsted yarn, cotton piecegoods and other textiles.

Burma Trade: Rangoon invited tenders for the supply of 6,500 bales of cotton yarn; HK offered to supply 2,000 bales of 20's. Shipments from here to Burma were covered chiefly by old orders and consisted mostly of fruits, old newspapers and textiles; only a very small number of new orders reached here last week. Meanwhile, Burma negotiated a loan of US$2 million annually from Japan. Under the reparations agreement signed in 1954, Japan was to provide Burma, besides reparations, with US$50 m. in ten years in the form of loans to help economic construction in Burma. The loan now under negotiation will be used for the purchase of equipment and service for joint undertakings in Burma including a fertilizer plant, a motor-car assembly workshop, a paper factory and a textile mill.

Ceylon Trade: Ceylon continued to buy dried chilli, green peas, garlic, enamelware, textiles, shirts, plastic products, etc. from here but shipments to Colombo were handicapped by the poor unloading and discharging facilities there. Many steamers now demand surcharge for goods to Colombo and accept only one or two hundred tons at a time.

Europe Trade: Cargo movements between HK and Europe remained active; over 1,000 tons of HK manufactures and substantial quantities of China produce were shipped out and about 4,100 tons of metals, industrial chemicals, fertilizers, paper, textiles, etc. reached here from Europe. Meanwhile, dealers booked more winter goods for the approaching Xmas. Towards weekend, banks here increased marginal deposits from 15% to 20% for L/Cs covering imports of woollen piecegoods, metals, paper, machinery and pharmaceuticals from Europe. Some banks wanted 30% for L/Cs covering industrial chemicals and canned goods.

UK and US: UK sent here more orders for gloves and cloth for shipments during the next two months. From UK, HK booked more factory supplies and textiles. US also increased shipments to HK; last week's imports included 1,500 tons of black plate and tin plate for local consumption.

Freight Rates: Freight rates from HK to South African and East African ports and Mauritius (Port Louis) will be increased by approximately 10% as from October 1, 1956.

China Produce: Trading was active but interest was centred on a small number of popular items. Supply from China remained uncertain while SE Asia and Africa sent here more staples. Chinese maize was again available after an absence from the local market for more than 3 years but the quantity reached here was too small and local dealers had to import from SE Asia to meet the demand from Japan; price eased slightly when indents were marked down. Groundnut kernel enjoyed steady demand from Taiwan and local buyers but Japan turned to Thailand for direct supply of 1,600 tons; price here firmed when Thai exporters raised quotations while stock here dwindled. Groundnut oil slowly edged up because Thailand sent here less supply while demand improved. Garlic retained firm price on steady demand from SE Asia and India; green peas were favoured by Japan, Ceylon and local food factories; sesame advanced on orders from Japan and increased cost; hemp seed first eased under heavy arrival but later improved on enquiries from Japan. Europe was also interested in aniseed star, cassia lignea, peppermint oil, citronella oil, rosin and raw silk; UK in egg products; Japan in cassia oil, castor seed, coir fibre; and SE Asia in cassia lignea, menthol crystal, rice bran, gypsum, red chilli, red bean and green bean.

Paper: Demand from Korea improved but interest was centred on newsprint in reels, woodfree printing, white sulphite, kraft, manifold and transparent cellulose paper only. Low buying offers also restricted the volume of business transacted during the week. China continued to send here small consignments of m.g. cap, straw board, newsprint in reams while at the same time bought few hundred tons of European newsprint in reels; last month, Peking had offered European newsprint in reels to the local market. SE Asia also provided limited demand: Thailand bought newsprint in reams, South Vietnam was interested in cigarette paper and Cambodia in woodfree printing. Newsprints, art printing, sulphite paper, bond, transparent cellulose paper, glassine, flint, duplex and straw boards also enjoyed steady local demand. Prices were firm but dealers here refrained from booking new supplies because most indents were higher than local market prices.

Metals: Over 2,000 tons of metals arrived from US, UK, Europe and Japan during the week. Money was tight among dealers here who were urged by banks to redeem their bills. As a result, some importers marked down selling offers particularly for mild steel round bars which had arrived in huge quantities during the past three weeks. The reduced price of mild steel round bars attracted orders from Cambodia, Africa, Thailand and New Zealand. Iron wire rods also eased under new arrival; Cambodia and Singapore made purchases. Mild steel plate was short in stock and price advanced when enquiries for substantial quantities reached here not only from SE Asia, Taiwan, Korea and China but also from Japan. Indonesia also ordered from Japan (through HK firm) a shipment of galvanized iron sheet; price here also firmed on increased Japanese indents. A large shipment of black plate and tin plate arrived from US but supply in the market was still short because imports from US were booked by local factories; black plate firmed up on orders from Korea and tinplate improved on purchases by China. Substantial quantities of scrap iron arrived from Cambodia and North Borneo but Japan slowed down the purchase of this item; price remained high on firm international market.

Industrial Chemicals: Trading was slow and demand from Korea, China and Taiwan selective. Sodium cyanide, sodium hydrosulphite, rongalite C lumps and glycerine improved on indent advance while shellac depressed by marked-down cost of Indian products.

Pharmaceuticals: Orders from Taiwan, China, Korea, SE Asia and India were limited to small quantities and covered only a handful of popular items. Dihydrostreptomycin enjoyed very strong demand from these countries as well as from local buyers; price gained on increased cost. Quinine powder, PAS powder and caffaine alkaloid were favoured by China; phenacetin powder, penicillin preparations, sulfaquanidine, calcium bromide, sodium bromide, cod liver oil and calcium-ostelin by Taiwan; sulfathiazole by Korea; veramon tablets by India; and ascorbic acid, saccharine crystal and lactose by SE Asia.

Yarn & Piece Goods: HK Yarn retained steady local demand but still depressed by the competition from low-priced Pakistan products. Towards weekend, local manufacturers agreed not to cut prices further; closing quotations were therefore steady. Pakistan yarn continued to arrive in large quantities while price remained cheap which attracted orders from Thailand and Indonesia. Yarn of other origins were steady on low stock. Trading in cotton piece goods remained sluggish. HK products steady on outstanding orders from UK and Indonesia. Japanese grey sheeting declined when cost was marked down. Chinese grey cloth was absorbed by local processing factories to meet the demand from Indonesia; price depressed by selling pressure. Indian grey was favoured by the Philippines.

Rice: Trading was moderate and Thai rice weak under heavy arrival and marked-down indents. Bangkok had to peg down rice quotations because many prospective buyers turned to Burma and other sources for supply as a result of the recent indent increase of Thai rice. Chinese rice retained steady local demand at firm price.

Sugar: Speculators absorbed Taiwan granulated sugar when it was learned that supply might be curtailed due to Taipei's heavy commitments with other buyers; price firmed especially when Singapore made some purchases. Philippine brown eased again when new supplies arrived. Japanese granulated first eased under recent arrivals but later firmed when Taiwan sugar was stimulated by speculative buying.

Cement: Re-export of Japanese cement to SE Asia slowed down as a result of Japan's direct exports to countries in this area. Local demand for Japanese cement remained very strong and kept prices at $118 per ton overside and $5.80 per bag of 100 pounds in retail sales. Chinese cement continued to reach here in small consignments and prices were: $115 per ton overside and $5.60 per bag of 100 pounds. Green Island products were marked up: Emeralcrete rapid hardening to $7.25 per bag of cwt ex-factory (retail $8.20); Emerald to $6.50 per bag of cwt ($7.10) and $5.85 per bag of 100 lbs ($6.40).

Hongkong Products: Exhibits of HK products on m.v. "Ruys" and m.v. "Tegelberg" will be changed on their return to HK on August 12 and 20 respectively. Plastic goods, enamelware, drawn lace work, torches and torch batteries, electrical appliances and accessories will be displayed on "Ruys" and hardware, paints and lacquers, brushes, vacuum flasks and textiles on "Tegelberg". Two companies in London are establishing showrooms exclusively for HK products. UK buyers are also interested in HK manufactured umbrellas, plastic net bags, straw hats, buttons, watchbands, porcelainware and wood screws. The 14th Exhibition of HK Products under the sponsorship of the Chinese Manufacturers' Union will be formally opened at the end of November.